FREIGHT TRAFFIC ISSUE

Scientific **pricing** is the key to increased traffic, revenue —p. 48

March 27, 1961

# RAILWAY AGE WEEKLY

# MERGER REPORT

What will happen to you? —p. 16

**The merger story in maps . . .**

**East:** Chesapeake & Ohio—Baltimore & Ohio (WM)

Erie—Lackawanna

Norfolk & Western—Wabash—Nickel Plate—(PRR line)

Pennsylvania—Lehigh Valley (Detroit, Toledo & Ironton—Ann Arbor Railroad)

**South:** Seaboard Air Line—Atlantic Coast Line (L&N)

Southern—Central of Georgia—Interstate

**West:** Chicago & North Western—Milwaukee Road

Great Northern—Northern Pacific—Burlington (SP&S)

Santa Fe—Western Pacific

Southern Pacific—Western Pacific

SOO Line— Wisconsin Central—Duluth, South Shore & Atlantic

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# Canadian Pacific controls 110 miles of single track with this new Union Traffic Control Center

The Canadian Pacific Railway recently installed a Union Traffic Control Center on one of the busiest sections of CPR track in Western Canada . . . and abandoned one of the prior two tracks.

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# RAILWAY AGE WEEKLY

March 27, 1961 • Vol. 150, No. 13


## Week at a Glance

### N&W files merger applications ..... p. 9

Now before the ICC is a consolidation proposal calling for merger of N&W and Nickel Plate, and lease—and eventual merger—of Wabash. The unification would produce estimated annual savings of $25,000,000. N&W President Stuart T. Saunders would head the combined system.

### Shippers favor rate freedom ..... p.15

Quick adjustment of rates to meet competitive conditions is the major railroad need, according to this month's Traffic Poll. Other major concerns: prevention of transport strikes; greater freedom to discontinue obsolete operations.

### 'Outside' training pays off ..... p.40

Building and maintaining an efficient managerial team now requires more than on-the-job conditioning. Increasingly, transportation executives are going "back to school" to sharpen their managerial skills. Here's how one educator views the problem of executive development.

### PFE builds new-type reefer ..... p.41

Twenty-five experimental cars now under construction are designed for moderate-temperature service only. Object: to hold down the cost of transporting fresh fruit and vegetables.

### Scientific pricing is the key to increased traffic ..... p.48

Rates must be tailored to fit the marketing practices of specific commodities, in the view of Robert T. Wood, transporta-

## MERGER REPORT

### How will the new merger vitality affect you? ..... p.16

The big story in railroad mergers today is not who is merging, but what the merging process will mean to various segments of the industry. Here are some answers to questions that merger talk is bound to raise.

### The Action Page—Why merge? ..... p.70

The goal of mergers is to provide improved service at more attractive prices, which means turning the trend of traffic steadily upward. This will assure the increase of railroad job opportunities.

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## Week at a Glance CONT

### Current Statistics

| | |
|---|---|
| Operating revenues | |
| 1 mo., 1961 | $699,241,730 |
| 1 mo., 1960 | 789,443,864 |
| Operating expenses | |
| 1 mo., 1961 | 596,424,925 |
| 1 mo., 1960 | 633,993,848 |
| Taxes | |
| 1 mo., 1961 | 73,963,102 |
| 1 mo., 1960 | 84,419,113 |
| Net railway operating income | |
| 1 mo., 1961 | Def. 4,052,338 |
| 1 mo., 1960 | 43,523,370 |
| Net income estimated | |
| 1 mo., 1961 | Def. 8,000,000 |
| 1 mo., 1960 | 30,000,000 |
| Carloadings revenue freight | |
| 10 wks., 1961 | 4,870,351 |
| 10 wks., 1960 | 5,796,563 |
| Freight cars on order | |
| March 1, 1961 | 18,429 |
| March 1, 1960 | 46,323 |
| Freight cars delivered | |
| 2 mos., 1961 | 5,473 |
| 2 mos., 1960 | 7,900 |

●

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tion research analyst. Here's a detailed exposition of the problem, as Mr. Wood sees it.

'Make-work' rules assailed ........................................ p.64

Outmoded labor practices make it impossible for U.S. railroads to reap the full benefits of modern technology, the Presidential Railroad Commission was told last week.

Senators split on 'rate freedom' ........................................ p.65

Senators Magnuson and Smathers differ in their interpretation of the rate-freedom provision of the 1958 Transportation Act. Their disagreement was underscored during hearings which the Senate Interstate Commerce Committee conducted on two ICC nominees last week.

*Short and Significant*

### An $8 million deficit for January . . .

is estimated for Class I railroads by the AAR. Adverse weather conditions were blamed principally for the poor showing which compared with a net income of $30 million for January 1960. Though operating expenses were down 5.9% from the previous year, the relative drop in gross was nearly twice as great—11.4%. Forty-five Class I roads failed to earn their fixed charges in January 1961—24 in the Eastern District, eight in the Southern Region and 13 in the Western District.

### 1960's passenger-service deficit . . .

will turn out to have been "slightly under $500 million." That's the estimate of AAR Vice President J. Elmer Monroe. It's the first time this loss has dropped below a half-billion dollars since 1947's deficit of $427 million. The 12 deficits reported since then have ranged from 1957's $724 million to 1950's $508 million.

### Proposed purchase of 1,800 subway cars . . .

by the New York City Transit Authority was sidetracked by GOP legislative leaders in Albany last week—but they promised to give the plan further consideration next year. Cars would cost $200 million, would be financed by bonds secured by a pledge of transit fares.

### Daily passenger-piggyback service . . .

will be launched this week by REA Express and Erie-Lackawanna using E-L's westbound "Pacific Express" and eastbound "Atlantic Express" between New York and Chicago. E-L's new 85-ft General American TOFC cars are handling REA's 35-ft trailers and 40-ft Stricktainer combinations.

# N&W Files Merger Applications

**► The Story at a Glance: Savings of approximately $25,000,000 a year within five years are expected to result from the proposed merger of Norfolk & Western and Nickel Plate and related transactions. The latter contemplate purchase by N&W of the Pennsylvania's 111-mile Sandusky line between Columbus, Ohio, and Sandusky, and the N&W's lease and subsequent acquisition of the stock of the Wabash.**

**The estimate of savings is given in formal applications for approval of the transactions which have been filed with the ICC. Favorable Commission action would pave the way for creating an expanded N&W system of some 7,400 miles, linking the Atlantic Seaboard with the Great Lakes and upper Midwest.**

Five applications for clearance of the proposed Norfolk & Western-Nickel Plate consolidation under various provisions of the Interstate Commerce Act were filed March 17 with the ICC.

They cover the merger plan and its terms, which were revealed last December (RA, Dec. 5, 1960, p. 9). Generally, the plan provides for merger of Nickel Plate into N&W under a stock-exchange plan, and payment by N&W of $27,000,000 for PRR's Sandusky line.

As to the Wabash, N&W proposes to lease it for 50 years, with permission to acquire control through ownership of stock at any time six years after the lease becomes effective. This would be accomplished by exchange of 675,000 shares of N&W common stock for the 598,186 Wabash common shares (99.49%) now owned by PRR. Initial annual rental for the Wabash would be $7,125,000, with provision for an increase if annual dividends on N&W common rise above $5 per share. From the seventh year on, the net rental would become an amount equal to dividends on 675,000 shares of N&W common.

Among the five applications filed with the ICC is the joint proposal of N&W and Nickel Plate for approval of the merger. This also seeks authority for N&W to acquire NKP's interest in other carriers and in trackage-rights and joint-use agreements.

As this application notes, the new system will be known as the Norfolk & Western, and N&W President Stuart T. Saunders will be its chief executive officer. The application adds:

"The remaining executive officers and the several departmental and staff officers of the constituent corporations shall be continued, subject to the provisions of the by-laws of the surviving corporation, as officers of the surviving corporation with such changes in title and duties as other officers superior in rank or the board of directors may determine."

The merger plan is still subject to ratification by N&W and NKP stockholders. It is to be submitted to them at meetings to be held May 11 and May 16, respectively. It is also contingent on ICC approval of the other four applications, just as proposals in each of them are also contingent upon Commission approval of the whole package.

The other four applications, all filed

## Notice Anything Different?

Keeping a magazine lively in appearance, timely and exciting in content, is a never-ending job. All publications do this constantly, some more than others, but it's a safe bet that the magazines that recognize this need for change, that strive for improvement year in and year out, are the ones that survive. Others fall by the wayside, and you may suddenly wonder where they went.

At Railway Age we are always aware of the need—indeed, the responsibility—to stay out front with ideas which better serve our audience. You have noticed the improvements in Railway Age which this thinking has produced in recent years—the new editorial front cover, the streamlined pages and new departments inside the magazine, the frequent handling of special subjects of critical concern to the industry. These things, plus our use of the Time-Saver style to save reader time, have kept Railway Age readership at a consistently high level. Subscription renewal rates are at a high percentage seldom matched by any publication. We're proud of that.

You will notice further improvements in this week's issue. They begin with "Railway Age" on the front cover. Our editors have recommended this fresher, more modern typeface to replace the one we have used for many years. We have decided to adopt the change, because we think that everyone allied with the railroad business these days can help further the idea that this industry is progressive, looking ahead.

But we haven't stopped with the new look on the front cover. There are headline changes inside, too. Just as an exercise you may want to check pages 10, 55, 61 and 63 to see if you notice the difference. If you don't, don't feel let down. Any good newspaper or magazine recognizes that changes in format must not be abrupt; it is not good to disturb the feeling of "being at home" that a reader develops in readership habits.

These improvements aren't the only ones our editors have in mind. At least two more are on tap for April 3. Other innovations will be coming along. Indeed they must. Journalism is a peculiar business. You can't get a good product and continue to manufacture the same thing, month in and month out, for every story and every issue; you have to inject new ideas. When you have used an idea once you must invent a new one to replace it.

It did seem to me that these things were worth mentioning to you because, in the final test, it is you who will decide if our ideas are any good or not. As always, we welcome your comments.

Robert G. Lewis

PUBLISHER

by N&W alone, seek authority to acquire the Sandusky line and related trackage rights, to lease Wabash and acquire its stock, and to issue N&W stock and assume obligations as necessary to consummate the NKP and Wabash transactions.

The prospect of a much more favorable balance of traffic is stressed. "Norfolk," the applications explain, "is one of the nation's important coal-hauling railroads, while Nickel Plate and Wabash are primarily carriers of high-grade merchandise traffic, as well as products of agriculture. As a result, the combined lines will have a well-balanced traffic consist, not dependent on any one commodity for a majority of tonnage or revenues."

The joint N&W-NKP application states that "neither Norfolk nor Nickel Plate is controlled by any other corporation or corporations." As to the interest of PRR and the Pennsylvania Co. in N&W, the application says it amounted to 27.8% of the voting stock as of December 31, 1960, and it would amount to 32.1% if the proposed exchange of N&W for Wabash stock is carried out. Second largest stockholder of N&W is the Virginian Corp. of Boston, Mass., which held about 13% of the common as of the end of last year.

## Long Hauls by Rail, Short Hauls by Truck: Lasher

Transportation people must do everything possible "to promote new ideas, new technology, [and] must resist the efforts of willful men to block progress in the name of selfishness," E. C. R. Lasher, president of North American Car, declared last week in remarks prepared for delivery at a New England Shippers Advisory Board meeting.

He called specific attention to the uproar surrounding piggyback and containerization, and questioned the wisdom of attacks on the marriage of long-haul rail economy and short-haul truck flexibility.

North American Car's president sees a future transport pattern of containerization where fast trains, making few stops, handle the long haul—and where trucks handle pick up and delivery trips which "could easily run into many miles."

---

# WATCHING WASHINGTON WITH WALTER TAFT

• **THE AAR IS WELL-ADVISED** to anticipate that railroads must fight to hold the rate-making freedom which the 1958 Transportation Act gave them and other carriers regulated by the ICC. The association's "Magna Carta" demand for enactment of the industry's legislative program (RA, March 20, p. 9) called attention to the "rising attack" which truckers and water carriers are making on this "necessary new standard of rate-making."

**THE ATTACK** is reflected in statements of influential members of Congress and in proposed legislation to emasculate the rate-freedom provision which is now in Section 15a(3) of the Interstate Commerce Act. The proposed legislation is in Senate Bill 1089, sponsored by Senator Yarborough of Texas, and in S.1197, introduced by Senator Bartlett of Alaska for himself and four other members of the Senate's Interstate Commerce Committee, including Senator Yarborough.

**TRUCKERS AND WATER CARRIERS,** as represented by American Trucking Associations, and American Waterways Operators, are on record in favor of the Bartlett bill. It would add to Section 15a(3) several restrictions on ICC approvals of competitive rates (RA, March 13, p. 64).

**SENATOR BARTLETT** says he introduced the bill because some carriers interpreted the new section as "a declaration of open season for widespread and destructive rate slashing." He also says the ICC appears to have been "leaning toward a similar interpretation."

**AS AN EXAMPLE** of what he has in mind, the senator cites railroad rates on new automobiles carried on double-deck cars which have caused James R. Hoffa, president of the International Brotherhood of Teamsters, to join the anti-rate-freedom movement. On this rate-freedom issue, the railroads have the support of their employees as represented by the Railway Labor Executives' Association and of shippers as represented by the National Industrial Traffic League.

**THE YARBOROUGH BILL,** supported by American Waterways Operators, is a different approach. It would amend the act's anti-discrimination provisions to proscribe competitive rates as unlawful where the effect might be "to substantially lessen competition" between shippers and receivers at the competitive points and those lacking similar carrier competition.

**A LIKE BILL,** which died with the previous Congress, was introduced by Senator Yarborough last year. It came in the aftermath of hearings which the Senate's Merchant Marine Subcommittee held to air trucker and water-carrier complaints against railroad rate practices and competitive-rate decisions of the ICC. AWO's appraisal of those hearings was that they "hopefully laid the groundwork for future legislative action."

**SENATOR MAGNUSON** of Washington, who is chairman of the Interstate Commerce Committee, also had something to say recently about the rate-freedom issue. Commenting on Luckenbach Steamship Co.'s withdrawal from the intercoastal trade, he said one of the "primary" reasons for this was "the failure of responsible government regulatory agencies to discharge their functions with due regard for the steamship companies' rights under the national transportation policy."

**THE CHAIRMAN HOPES** the Luckenbach withdrawal will inspire the ICC and federal maritime authorities to "reorient their thinking" so intercoastal and coastwise operators will be "protected against predatory rate cutting." He also called for development of new legislative proposals, "if necessary," for the "reestablishment and nurturing of a coastal-intercoastal shipping system that will give shipping interests on all coasts the low-cost benefits inherent in ocean transportation."

# SPECIAL FREIGHT EQUIPMENT

## MADE WITH REYNOLDS ALUMINUM

**Lightweight, Easy to Handle, Strong**

One good way to cut freight shipping costs is to cut the cost of *handling* that freight. And, as more and more shippers and rail operators are discovering, strong, lightweight Reynolds Aluminum is one material that can effect important savings in handling.

Used in containers and special freight equipment, aluminum—because it's strong, rustfree, and corrosion-resistant—can prevent damage, soiling and pilferage of cargo. These same qualities also mean that equipment made with aluminum serves longer with less maintenance, stays bright and clean with less work.

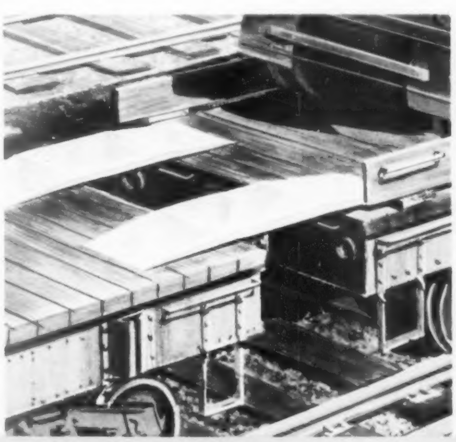
Reynolds Aluminum alloys developed for railroad equipment weigh as little as *one-third as much as steel*, so handling is easier, faster, more efficient. And not only is loading labor reduced, but payloads can be increased when the containers, crossmembers and bridge plates weigh less.

When you're specifying or buying special freight equipment, consider *all* the costs: maintenance, service life, handling, and non-paying weight. And consider protection of freight, and service to shippers. If you do, you'll want equipment made with rugged, lightweight Reynolds Aluminum.

**Crossmembers** made with Reynolds Aluminum are "one-man" crossmembers, weighing approximately one-half as much as the standard wood and steel types. Aluminum crossmembers are easier to handle, and they serve longer, won't rust or splinter—and never need painting. Freight is better-protected with crossmembers of Reynolds Aluminum because they're at least 10% stronger—and rust-free, to prevent stains.

**Bridge plates,** used to speed handling of piggyback containers on flat cars, combine high strength with low weight when made of Reynolds Aluminum plate or tread plate. Designed to carry 16,000 lbs. axle load, these manually-operated aluminum bridge plates weigh 139 lbs., compared to 300 lbs. for equivalent steel plates. They never need painting, never rust. In addition, aluminum retains a high scrap value after its long service life.

**Containers,** whether trailer van size or fork-lift truck size, are made for fast, efficient handling if they are made with Reynolds Aluminum. Stronger than steel, pound for pound, aluminum takes the roughest handling to protect freight from damage. Yet, it's light in weight, reducing the work, time, and power needed for loading—and adding payload capacity. Aluminum containers won't rust; they keep cargo clean without protective coatings.

**Write for details on railroad equipment made with Reynolds Aluminum . . .** **see next page**

# Shippers Favor Rate Freedom

## Proposition

**Transportation matters have received, to date, a relatively low place in the announced agenda of the new Administration in Washington. Sooner or later, however, they will have to receive some official attention. Which of many should receive priority?**

## Question

**In your opinion, which of our numerous domestic transport problems should receive first attention by the new national Administration? (Please rate "1" for the most important; "2" for next most important; and so on.)**

**(a) Establishment of user charges for publicly-provided transport facilities ............ 38 points**
**(b) Equalization of agricultural and/or bulk commodity exemptions between railroads and other carriers ............ 52 points**
**(c) Repeal of the 10% passenger tax ............ 81 points**
**(d) Revision of railroad depreciation rates and/or establishment of construction reserve funds to make more money available for new equipment and facilities ............ 71 points**
**(e) Greater freedom for regulated carriers to discontinue obsolete operations ..... 89 points**
**(f) Greater freedom for railroads to adjust rates quickly to present competitive conditions ............ 105 points**
**(g) Legal changes to minimize chances of transport strikes ............ 104 points**
**(h) Other ............ 23 points**

Shippers are most concerned over the ability of railroads to adjust rates quickly to meet competitive conditions; the prevention of transport strikes; and greater freedom for regulated carriers to discontinue obsolete operations. This was the order of importance assigned to the list of railroad transport problems submitted to shippers in this month's Traffic Poll, according to 85 respondents.

Because of the disparity of shippers' answers, a point system was devised to determine the results of the poll. All problems given first place (some respondents found more than one problem qualifying for top place) were assigned a rating of three points. All second-place answers were given two points. And all third-place replies were given one point each.

Shippers felt, according to this system, that the matter of fourth importance is repeal of the 10% passenger fare tax.

Of those who laid stress on alternative propositions, four think that railroads ought to be allowed to diversify so as to offer one-package transportation.

But of primary concern among shippers is the issue of rate adjustment.

H. H. Kohn, traffic manager of Linwood Stone Products Co., Inc., Davenport, Iowa, says that if greater freedom for railroads to adjust rates quickly to present competitive conditions could be attained "the answers to the other questions would be greatly simplified." Mr. Kohn listed repeal of the 10% passenger tax as No. 1, however, "because it should have been done years ago."

"In my opinion," agrees C. H. Vescelius, director of transportation, Olin Mathieson Chemical Corp., "greater freedom for railroads to adjust their rates quickly to compete is a subject that should receive attention since the time-lag situation they are now living with is costing them a great deal of business, the revenue for which is irretrievable."

Mr. Vescelius also listed repeal of the 10% passenger tax as his first choice. He explains that his "reason . . . is not that it is the most important one, but I feel confident that, should it receive attention by the new Administration, it would be the one most likely to succeed with a minimum of controversy."

Harold T. Reed, director of transportation, Line Material Industries, Milwaukee, Wis., also believes that "greater freedom for railroads and other regular carriers to adjust rates quickly to meet competitive conditions or to discontinue obsolete operations are the paramount problems of transport today. Other industries are permitted to change prices, services or operations to meet competitive conditions, whereas railroads, and transportation companies in general, are required to delay such changes to the extent that business patterns can be changed considerably before the carriers are permitted to meet competitive conditions. While the other problems are important, we feel that rate and service adjustments are more important in today's dynamic economy."

L. J. Rowley, manager, traffic and

*(Continued on page 54)*

### How Shippers Score the New 'Magna Carta'

A proposed "Magna Carta for Transportation" was presented to Congress and the White House last week by the nation's railroads.

At the same time, a group of U. S. shippers were forwarding their views to Railway Age on various legislative changes they consider important.

The parallel is close—close enough, in fact, to suggest how shippers rate the railroad program:

| | |
|---|---|
| Freedom to adjust rates to meet competition | 105 points |
| *Repeal of the 10% tax on passenger travel | 81 points |
| Revision of railroad depreciation rates and establishment of a construction reserve | 71 points |
| Equalization of agricultural and bulk commodity exemptions | 52 points |
| Establishment of user charges (the Magna Carta asks for a National User Charge Commission) | 38 points |
| The right to diversify | 12 points (by write-in vote) |

*This point scores high because many shippers apparently consider it easier to accomplish.

# Merger Report: How Will New

## Chesapeake & Ohio-Baltimore & Ohio (WM)


C&O-B&O COMBINATION would make an 11,033-mile system. The combined roads would own 50.15% of the voting stocks of the 841-mile Western Maryland.

## Erie—Lackawanna


ERIE-LACKAWANNA system was officially born on October 17, 1960. A 3,200-mile line, it is the biggest of the recent mergers of independent roads.

Will railroad mergers be the salvation of the industry?

Or are they a lot of bunk?

Will mergers restore the growth character critics of railroads say is lost?

Or will mergers merely generate a new round of savings to be eaten up by another tide of inflation and spiralling costs?

Put the questions as broadly as that and most railroad thinkers will take a position in the pro-merger camp—with reservations. Drop the general question and start asking for particulars and you'll find good answers on both sides.

The big story in mergers today is not *who* is merging but *how* the merging process in general will affect the various segments of the industry, individual regions and groups.

For a long time, now, planning mergers has been one of the most popular parlor games railroaders could indulge in. The rules of the game have been simple—put together two or more roads with some kind of community of interest and then speculate about the potential benefits.

People will still be asking "Who?," as long as two roads that in someone's mind should be paired continue to go their separate ways. With a set of maps and some financial statistics, a do-it-yourself merger kit is available to anyone interested. Along with these tools, though, anyone speculating about merger possibilities should have some general facts in mind.

Here are some of the questions that merger talk is bound to raise—and some specific answers based on what's happened so far:

**Is the climate ripe for any kind of merger?**

**YES,** which is not to say that every merger proposal can be shepherded through the lengthy process of getting approvals from all the officers, directors, stock and bondholders, creditors, municipalities and state and federal regulators that might be involved.

However, Norfolk & Western, by merging with the Virginian, has demonstrated that profitable roads can get the necessary approval and carry out a merger. The Erie-Lackawanna merger has made the same point for roads that are feeling a financial pinch.

Chicago & North Western's absorption of Minneapolis & St. Louis indicates that it is possible for a big road to get together with a smaller road. And

# Merger Vitality Affect You?

the merger of Canadian Pacific subsidiaries, Soo Line—Duluth, South Shore & Atlantic—Wisconsin Central, shows that there is no inevitable barrier to tidying up family relationships.

**Are mergers in the public interest?**

**YES,** the answer has to be. As PRR Chairman James M. Symes said recently, the railroad industry's best hope for a prosperous future lies in large-scale mergers. As evidence that it is in the public interest to have a prosperous railroad industry, Mr. Symes enumerated some reasons why earlier merger efforts had failed and added a warning. This time, he said, "the railroads had better not let anything or anybody inside or outside the industry keep them again from setting their house in order. If we do, the federal government will step in and do the job —and stay in."

Putting the matter in the simplest terms, all of the mergers under consideration have a common goal: making it possible for the merged roads to operate more efficiently, to produce better transportation with less effort. And there is little argument from any one that this is not in the public interest.

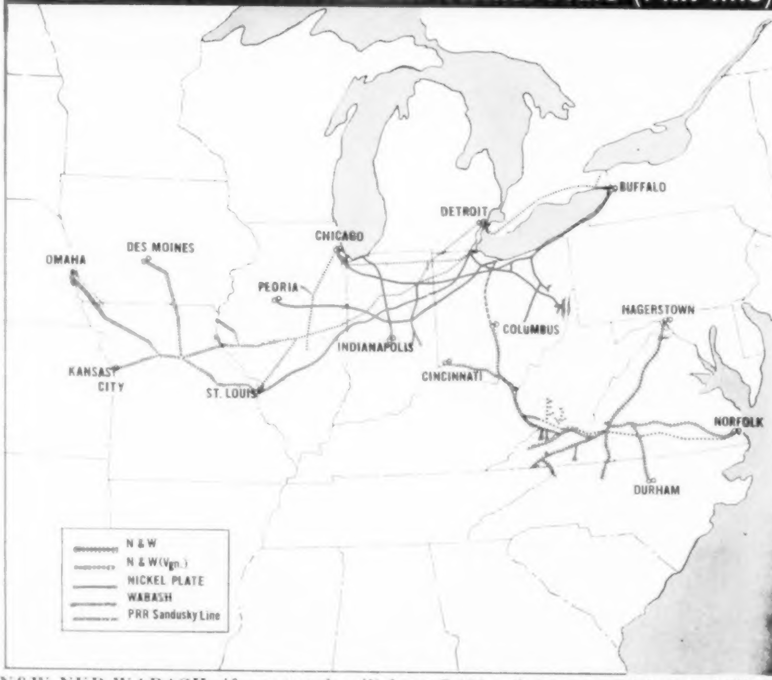
**Are mergers the only answer?**

**NO,** has to be the answer here. Mergers will help get rid of a lot of wasted time, effort and money by eliminating duplicated facilities and operations and shrinking plant to a level more consistent with traffic, but they're not the only answer to railroads' problems.

Mergers will help railroads on one front, efficiency, but a lot of the trouble railroads are in comes from other causes: excessive taxation, the umbrella approach to rate-making, outmoded depreciation policies, subsidized competition, antiquated labor agreements and the like. These would continue to be a burden on the merged companies, just as they are on the separate companies now. Mergers can be very helpful in alleviating the symptoms of the railroads' distress by providing new cash from improved earnings, but many of the basic causes of the disease will remain.

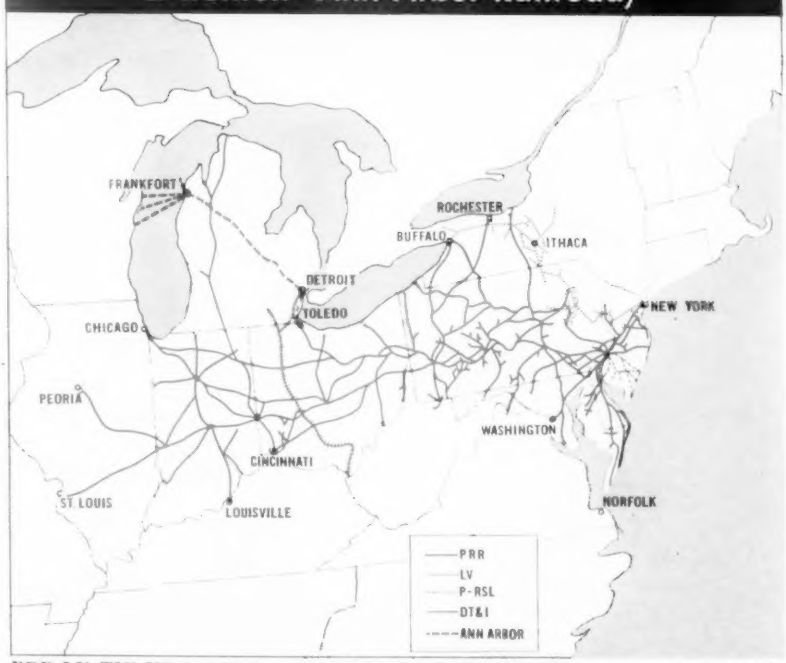
As James F. Oates, chairman and president of the Equitable Life Assurance Society of the United States,

## Norfolk & Western–Wabash–Nickel Plate–(PRR line)




**N&W-NKP-WABASH,** if approved, will be a 7,400-mile system with $1.7 billion assets. N&W and NKP will be linked by purchase of PRR's Sandusky line.

## Pennsylvania—Lehigh Valley (Detroit, Toledo & Ironton—Ann Arbor Railroad)




**PRR-LV TIE-UP** has been proposed by Pennsylvania, which now controls 44.4% of LV stock. In a separate proposal, DT&I would acquire Ann Arbor from Wabash.



CONTINUED ON PAGE 20

put it in a recent address before the National Transportation Institute, merger may be the "only one ready solution in the East," but railroads in the South and West "could perhaps live longer in their present corporate status." It's not hard to find railroad officers who agree with him.

**Do mergers mean "instant profits"?**

**NO,** securing the benefits of mergers involves a good deal more than the mere fact of creating one corporate structure where two existed before. The Erie-Lackawanna, which estimates that its merger will produce savings estimated at $13,000,000 a year within the next five years, is a case in point. President M. G. McInnes put it this way:

"While the two companies were officially merged on October 17, 1960, we were, in effect, merged in name only as a Federal Court injunction instigated by labor unions prevented the consolidation of forces and facilities of the two railroads. This action was brought in an effort to secure additional protective benefits for employees whose jobs would be affected by the merger, beyond the already liberal provision specified by the Interstate Commerce Commission in its order approving the merger. As a result, there have been practically no opportunities for making savings from the merger up to the present time."

**Are predictions of merger savings realistic?**

**YES,** where the necessary conditions can be put in effect. Here's what N&W President Stuart T. Saunders had to say in N&W's annual report about results of the first full year of merger with the Virginian Railway.

"Our operating ratio—the percentage of operating revenues spent for expenses —was lowered to 59.7% in 1960, from 61.1% in 1959. This reflected considerable savings from the merger.

"N&W freight trains increased both average load and speed, with the handling of 89,564 gross ton miles per train hour. On the basis of combined N&W and Virginian operating statistics, this is a new record over the 1959 previous high of 87,868 gross ton miles per train hour.

"These operating results were achieved during progressive integration of the Virginian line into the N&W system. Six major rail junction points were in operation by June 30 when trains began to use the last two to be completed.

"The former Virginian from Roanoake to Abilene is being used as a line for faster freight movements. Transit time for coal shipments from the mines to our Norfolk yards has been cut as much as 24 hours. Routing of trains eastward over easier Virginian grades in the Alleghenies and Blue Ridge has eliminated the need for auxiliary power units or division of trains to get them across these mountains."

**Is opposition from competing roads inevitable?**

**NO,** though opposition has to be expected from roads that will be hurt competitively. But there have also been instances where competing roads have endorsed merger proposals. PRR Chairman J. M. Symes, for example, has several times urged railroads to look on our present situation as a time for statesmanship rather than for protecting narrow interests.

Chesapeake & Ohio President Walter J. Tuohy commented on the announcement that the rival Norfolk & Western would seek to merge with the Nickel Plate and eventually the Wabash. "This proposal is a constructive and natural step in unification of Eastern railroads —and is a forceful confirmation of C&O's own plan for affiliation and ensuing merger with Baltimore & Ohio."

**Can mergers build volume?**

**YES,** insists Boston & Maine president, P. B. McGinnis. Speaking at New York Railroad Club's annual "President's Night," Mr. McGinnis took an optimistic view of his subject, "How Mergers Will Affect the Securities of the Eastern Railroads."

"I'm optimistic about our business," Mr. McGinnis said, "because there is nothing wrong with the business we're a part of. Distribution is a growth business, even though we don't get our share of it."

Freight volume is what the railroads need, Mr. McGinnis said, not only in the East where lack of volume is currently getting the most attention, but across the nation.

"How do we get our volume back?" Mr. McGinnis asked. "Not with 37 presidents and 400 vice presidents in the East."

When it takes two years to put in a rate cut that is desperately needed to meet competition, because the cut has to be approved by a different chief executive every few hundred miles the commodity would travel, Mr. McGinnis said, the chance of effectively competing for business is lost.

"No truck can compete with us if we can get our heads together," Mr. McGinnis asserted, "and we can if we eliminate 35 of these presidents and wind up with two at the head of competing systems."

The eventual line-up in the East, Mr. McGinnis went on, is bound to include no more than two major systems. As he sees it, these would be:

- C&O, NYC, B&O, Reading, WM, JCL, B&M.
- PRR, N&W, NKP, LV, E-L, D&H, NH.

**Will existing traffic relationships be maintained?**

**NO,** not in all cases. In deciding in favor of the Erie-Lackawanna merger, the Interstate Commerce Commission said, "It is not practicable, nor would it be in the public interest, to impose conditions calculated to freeze the flow of traffic into a pre-existing pattern or to protect competing and connecting carriers against all possible adverse effects," adding that many of the benefits of merger would be lost if it were made a condition that all existing traffic relationships be maintained.

The desire to have protective conditions imposed, though, has been one of the main sources of opposition to merger cases before the ICC—and is likely to remain so.

For example, in the South, Southern has moved to intervene in the proposed merger of Seaboard and Coast Line because it wants to preserve existing competitive relationships and thinks this can best be done by permitting Southern to acquire control of Louisville & Nashville, now controlled by Coast Line. Illinois Central has also filed formal application with the ICC for authority to purchase ACL's 33.7% stock interest in L&N, in the event the SAL-ACL merger is approved. (Coast Line, on the other hand, has shown no signs of willingness to part with its interest in the L&N, and merger negotiations have been carried out on the assumption that the L&N stock would be part of the deal.)

The other side of the coin casts Southern as petitioner and other interests as protestants in Southern's application to control Central of Georgia. Seatrain Lines, which has joint rates with Central of Georgia through Sa-

vannah, has moved to intervene in Southern's application because it says it has been unable to secure joint rates from Southern in the past.

In the West, the desire to control (and presumably, therefore, either to change or to preserve) routings has reached the proportions of a battle of giants in the struggle between Southern Pacific and Santa Fe for stock control of Western Pacific. Both roads say they would continue WP as a separate operation, and presumably either, if it were granted control by the ICC, would have to give in return some kind of pledge to keep traffic moving in the same pattern it moves in now.

But stock control is an important enough factor in routing to bring the Great Northern (which with the WP and the Santa Fe operates the "Inside Gateway" route between California and the Northwest in direct competition with the all Southern Pacific coastal route) into the fight with stock purchases to support the Santa Fe bid, which also has the backing of Western Pacific's directors. Union Pacific, on the other hand, has entered the contest on the side of connecting Southern Pacific.

**Are shippers inclined to favor mergers?**

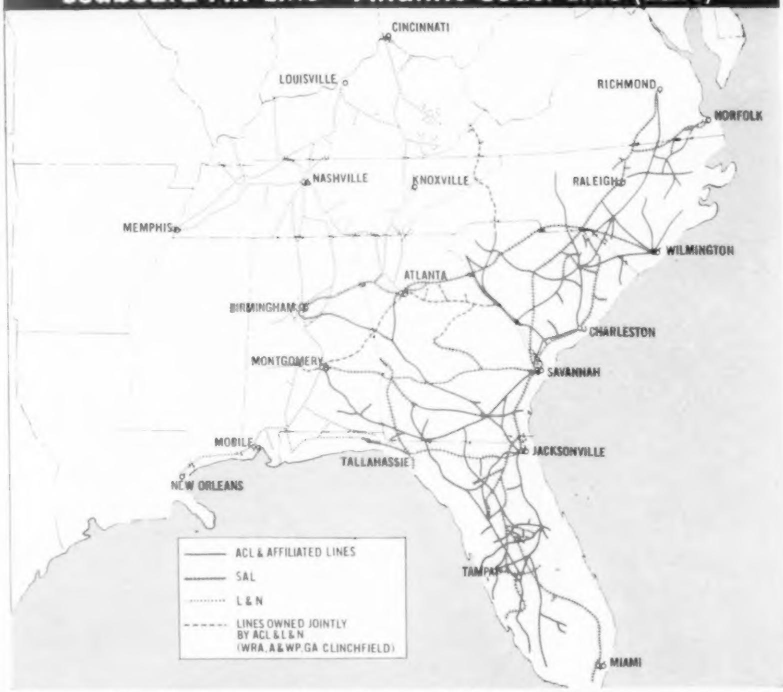
**YES,** rail mergers are necessary in the virtually unanimous opinion of rail traffic managers who answered a Railway Age poll on this question (RA, Oct. 31, 1960, p. 17). The only reservations expressed came from a few traffic managers who were concerned that mergers might result in companies that would be too big and unwieldy for efficient management and good service. As the traffic men answering the poll see it, the merger trend will mean less, but probably more intensive, inter-railroad competition between fewer but probably stronger roads.

**Will mergers improve schedules?**

**YES,** in almost every case, one of the important benefits mergers are designed to provide is better scheduling.

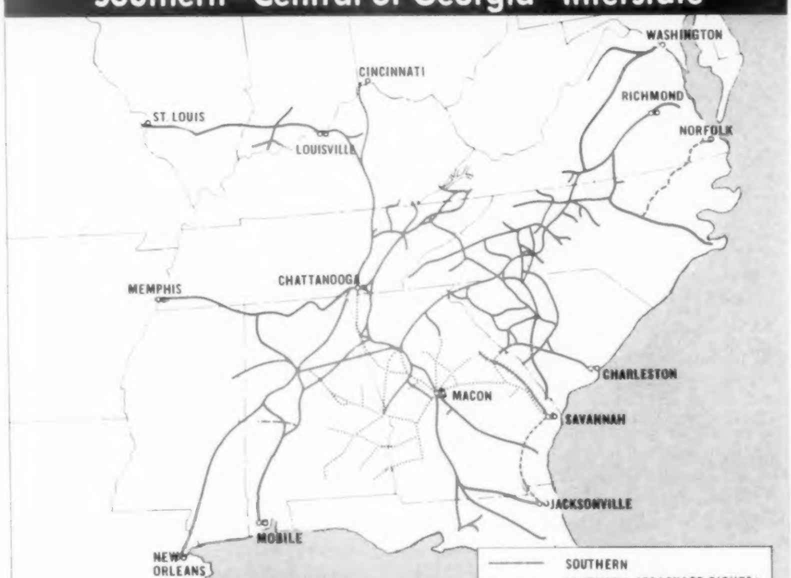
For example, Chicago & North Western, in acquiring M&StL, gained a much faster direct route between the Twin Cities and St. Louis, which makes it possible to cut up to seven hours from the former 29 hour schedule. As the ICC noted in approving C&NW's purchase of M&StL, "Consummation of the proposal will mean direct single line

## Seaboard Air Line – Atlantic Coast Line (L&N)




SAL-ACL MERGER is complicated by the fact that Coast Line controls L&N. Both Southern and Illinois Central have filed for permission to acquire L&N.

## Southern – Central of Georgia – Interstate




SOUTHERN-CENTRAL OF GEORGIA merger is sought by the Southern as a protective move. Southern already has approval of Interstate tie.



CONTINUED ON PAGE 28

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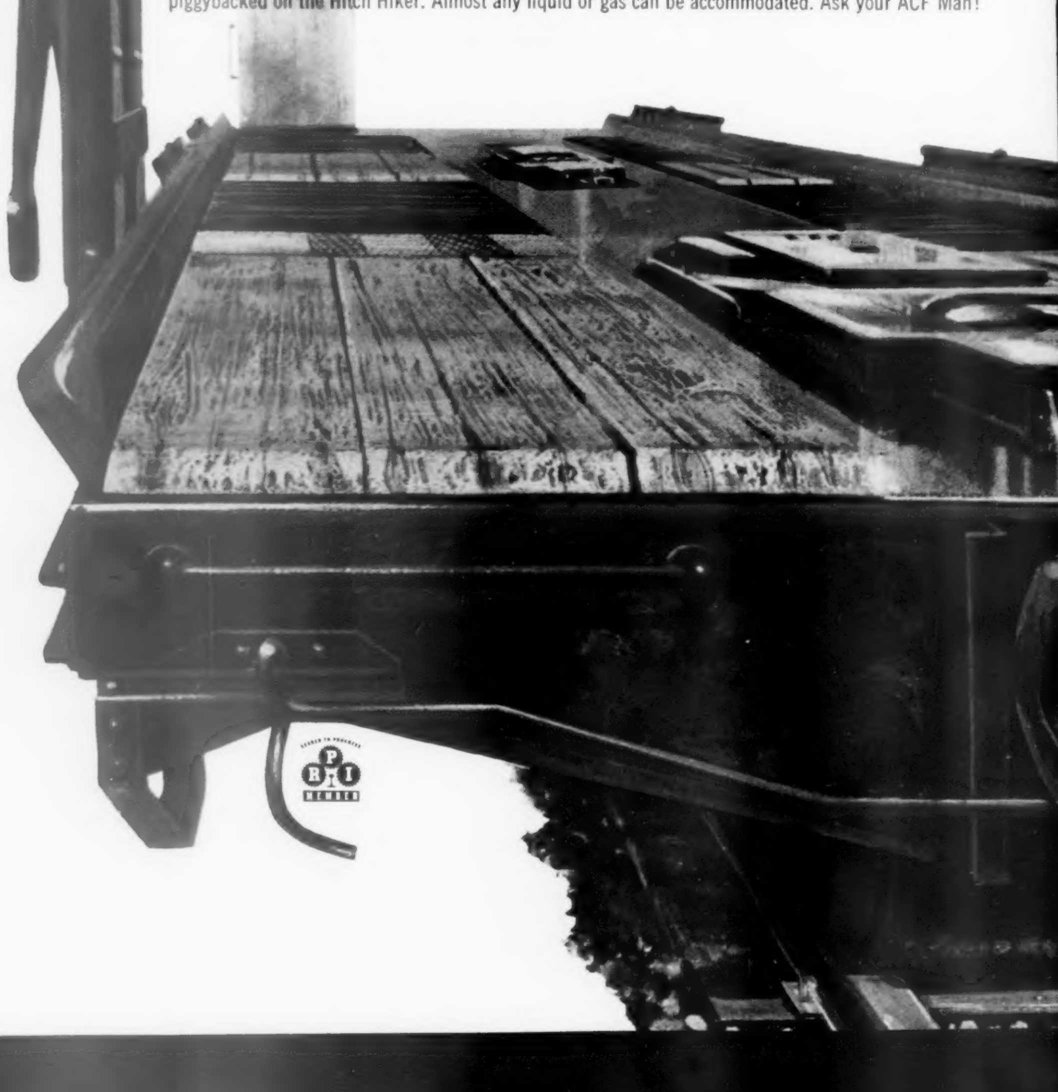

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Also in the Twin Cities area, the proposed Great Northern Pacific & Burlington Lines merger would replace nine separate yards now used by the three roads with a new $14,000,000 electronic yard north of Minneapolis. Estimates indicate that the new yard would be able to classify westbound cars received from the Burlington and send them on their way in as little as one-seventh of the allowance now needed to get a car through. And con-concentrating transcontinental service on a single route will make it possible for the new yard to dispatch as many as seven transcontinental trains a day. Service to intermediate and local points will also be speeded up.

Similar operating advantages are reflected in savings predictions for most of the other mergers existing or proposed.

**Are shippers afraid of the possibility of a transportation monopoly?**

**NO,** for the most part, shippers have reacted favorably to merger proposals on the grounds that they would get better service. For example, American Cyanamid Co.'s director of transportation testified at ICC hearings on the proposed Seaboard Coast Line merger that his firm's plant at Brewster, Fla. was likely to get more reliable service as a result of the merger and added "We have nothing to fear from this as far as a monopoly goes."

**Is there a chance that merger benefits will be passed on in lower rates?**

**YES,** competitive pressure, whether from other railroads or from competing modes of transportation, will see to it that rates are kept as low as costs will permit. Where mergers result in lower costs, lower rates will almost certainly be reflected directly in lower costs.

For example, if the proposed Seaboard Coast Line merger goes through, the merged roads say they will be able to file reduced rates on certain commodities moving between certain points. Pulpwood, for example, between Woodland, N.C. and Plymouth, N.C. will be reduced from 411¢ to 282¢ per cord. From Fort White, Fla. to Ferdinanda, Fla., the pulpwood rate will be cut from 479¢ per cord to 310¢ per cord. The carload rate on sand in open cars from Davenport, Fla., to St. Petersburg, Fla. goes from 150 to 140. The carload rate on limerock in open cars from Williston, Fla. to Stanco, S.C. goes from 230 to 220.

**Will mergers reduce competition?**

**NO,** by making railroads stronger, mergers are apt to preserve, or even increase competition. As the GN-NP-Burlington put it in a brochure outlining the advantages of merger, "Rather than weakening or removing competition, the creation of a stronger, more efficient railroad system will preserve and heighten competition." In support of the point, the railroads noted that almost every point on the four systems (including the SP&S, which GNP&BL will lease) is served by truckers over public highways that are being improved as rapidly as possible, and that many of them have air freight, waterway, or pipeline service.

**Is there any recourse for roads left out of merger plans?**

**YES,** although there is doubt how much pressure they can effectively bring to bear. As mergers come before the ICC for approval, roads that think themselves affected can seek to intervene. Erie-Lackawanna, for example, has petitioned the ICC for permission to intervene in the PRR's proposal to exercise control of the Lehigh Valley. E-L states in its petition that it believes PRR to be forming one big system out of the "family" roads in which PRR has a financial interest (such as PRR, LV, N&W, Wabash, DT&I) and that it is in the public interest that E-L be included in the plan. PRR Chairman Symes, however, says his road is not interested in discussing merger with E-L at this time.

**Are unequal financial resources a bar to merger?**

**NO,** not necessarily. As C&O Vice President Owen Clarke told the Kiwanis Club in Cleveland recently, C&O's proposal for consolidation with the B&O is unique in that, "for the first time in recent years, a railroad with good earnings and in sound physical and financial condition has agreed to ultimate merger with one having great promise for the future, but burdened by depressed earnings and some extremely difficult debt problems. . . .

"A union of C&O and B&O would be a union for strength and growth, not for mere survival. C&O is satisfied that the problems confronting B&O can be solved to the mutual advantage of both companies, through the prudent utilization of C&O's financial resources. We believe that the potential for increased revenues and earnings is tremendous and that it can be exploited quickly. Our joint studies of operating savings, plus substantial tax advantages indicate that the annual expense of the combined system can be reduced by at least $50,000,000. Additionally, B&O has the technical facilities and, most importantly, the human talent that growth requires. C&O intends to assist its partner in developing them."

Another example is the N&W-NKP-Wabash proposal. This calls for the N&W and Nickel Plate to merge directly themselves, but to lease the Wabash, which would have an opportunity to exchange after six years its common stock for N&W common stock.

The GNP&BL agreement is also being handled in stages, because of obstacles created by GN and NP mortgage provisions involved in their present joint ownership of the Burlington. Burlington will be brought into the merged roads only after an NP mortgage against which its Burlington stock is pledged is paid off.

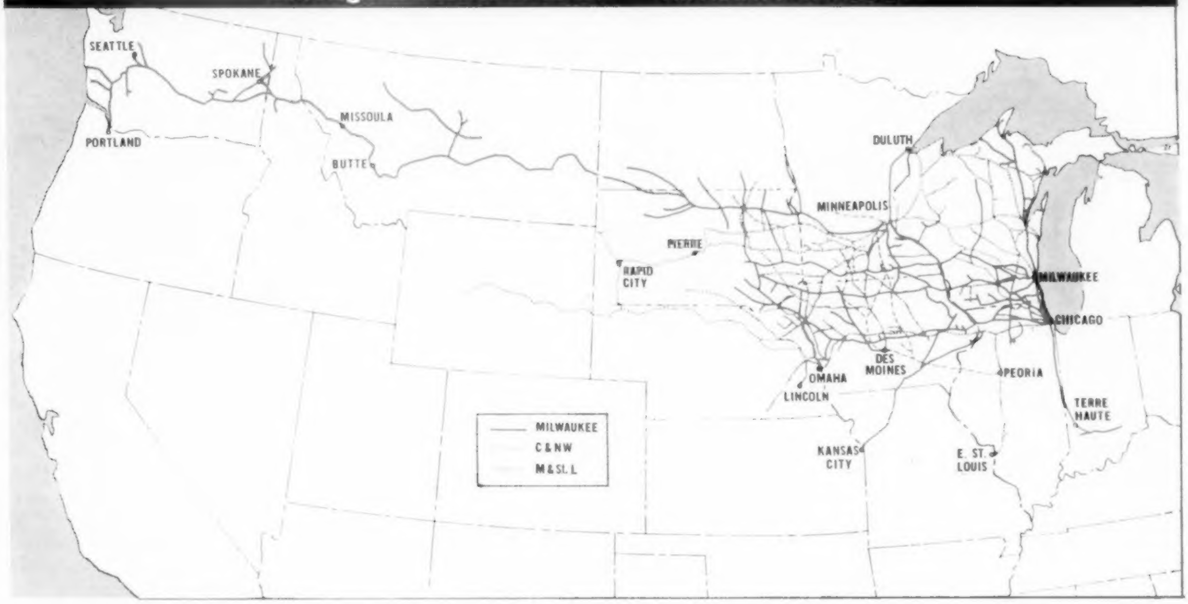
**Will affected companies that are separated from their present parents remain in the family?**

**YES,** in most cases. If, for example, the Wabash is leased by the N&W-NKP as proposed, Wabash will sell its wholly owned subsidiary Ann Arbor to the Detroit, Toledo & Ironton. (Both Wabash and DT&I are members of the PRR "family.") Another example is Colorado & Southern, with its subsidiary, Fort Worth & Denver. These lines will not be merged into GNP&BL, although parent Burlington will be. But, the new company will take over Burlington's interest in C&S-FW&D.

**Can jobs be protected?**

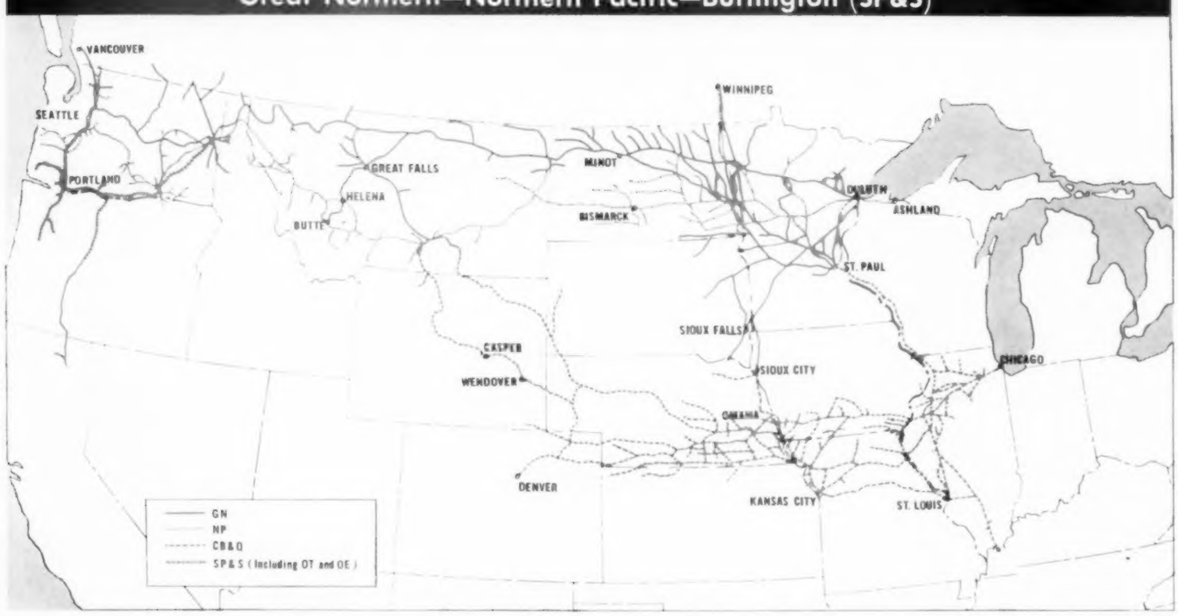
**YES,** in most cases. N&W, when it merged with Virginian, met this problem by combining seniority rosters of

## Chicago & North Western - Milwaukee Road




C & NW-MILWAUKEE studies have indicated merger before, because of the great amount of duplicate facilities, but previous merger talks, like the present ones, have run into difficulties in arriving at a mutually acceptable exchange ratio for securities. The two roads, if joined, would operate more than 21,000 miles of line, serving 15 states and 141 communities in common. Estimated annual savings from the merger come to $40 million before taxes.

## Great Northern—Northern Pacific—Burlington (SP&S)




GN-NP-CB & Q-SP&S merger, to be achieved in stages, would eventually produce the nation's largest system. The merged roads would operate more than 24,000 miles of main line trackage in 17 states. The Great Northern Pacific & Burlington Lines, as the new system would be known, would have annual revenues of more than $750,000, if estimated savings prove to be accurate. SP&S would be leased originally, perhaps later merged.

CONTINUED ON PAGE 32

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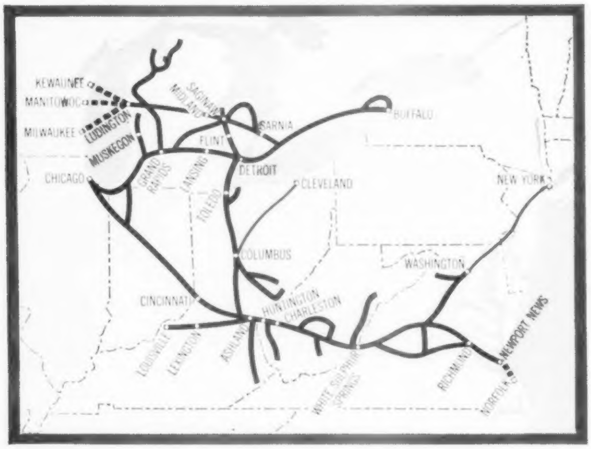


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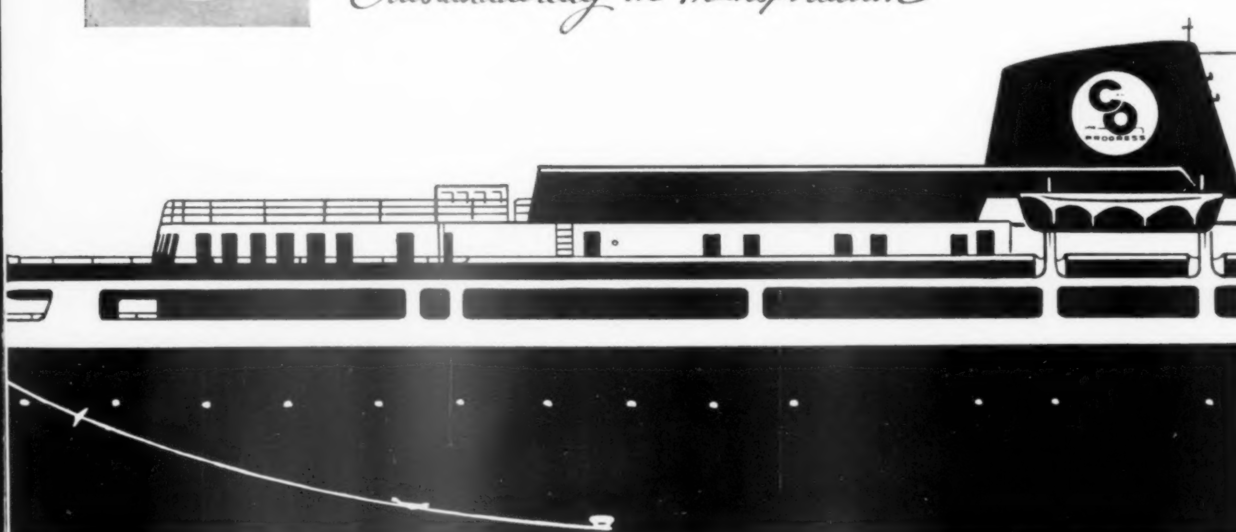


the two lines. In an area where one road was clearly dominant, its roster was considered basic and the other line's employees were added to it. Where neither line was dominant, the two rosters were welded into each other.

Normal attrition and careful advance planning helped speed up the process of uniting middle management. Of Virginian's 74 traffic employees, for example, 80% were absorbed into the N&W organization, with the rest taking the option of severance pay. With a number of Virginian executives at retirement age, top management combinations presented no special problems. In general, duties of the N&W officers were extended to encompass the additional responsibilities of running the expanded line.

**Is outright financial incompatibility a bar to mergers?**

**YES,** under present conditions. The regional merger proposed for New England, for example, had to be called off because of the great differences, both in revenues and debt structures, of the roads involved.

On the other hand, a prominent New England rail analyst thinks that a New England merger may yet be a possibility. His reasoning runs like this: first, some solution will be found to the New Haven's present financial crisis, whether through bankruptcy or some other means of cutting New Haven's debt. If this happens, he says, it is entirely conceivable that the remaining financial problems could be worked out through negotiations by the interests involved.

This is not to suggest that negotiations of merger terms are anything but a long, difficult and involved procedure. A good example is the recent announcement that the North Western and the Milwaukee had run into problems in their merger talks based on the difficulty of arriving at a mutually acceptable plan for treatment of securities. This announcement came only a few weeks after the earlier announcement by C&NW-Milwaukee managements that merger talks had been resumed.

**Will mergers hurt suppliers?**

**NO,** on the contrary, they should help. But not all product lines will feel the effects equally. Some sales offices may have to be moved. Larger headquarter organizations of merged railroads may make sales calls take longer and the exact man to see harder to find.

A "standard" product on one railroad may not be "standard" on another, and creation of a single railroad out of two or three may thus carry hazards to some specialty suppliers. But one effect of mergers will be an improved cash position growing out of savings from consolidation of facilities and elimination of duplication.

The ACL-SAL merger plan, for example, contemplates improved earnings of $38,000,000 a year before taxes; the GN-NP-Burlington combination figures earnings will go up $43,000,000 annually before taxes. Many of these dollars will be plowed back into improvements to make it possible for railroads to stay competitive and render top service.

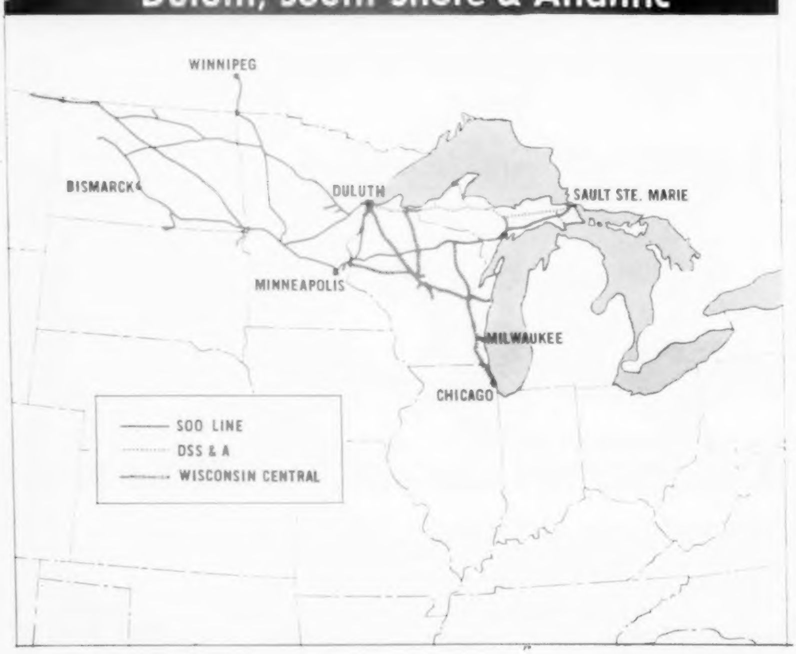
Following a lull while a merger is pending and for a short time thereafter, there should be a sharp upturn in buying — yards, CTC, track equipment, almost everything. So far, railroad men concerned say bigger railroads won't necessarily mean more company-built cars, but on this, it's still too early to say just what the future will bring.

**Is the merger trend likely to continue?**

**YES,** suggests PRR Chairman Symes. "The present jumble of a hundred or so railroads should be slimmed down to somewhere between seven and eleven streamlined systems," Mr. Symes said last fall. "There should be two or possibly three such systems in the North, somewhere between three and six in the far more extensive West, and two in the South. I believe if you look closely, you will see that is how things are tending." The exact number of systems is unimportant, though, Mr. Symes said. "Once this thing gets rolling, details like this will settle themselves."

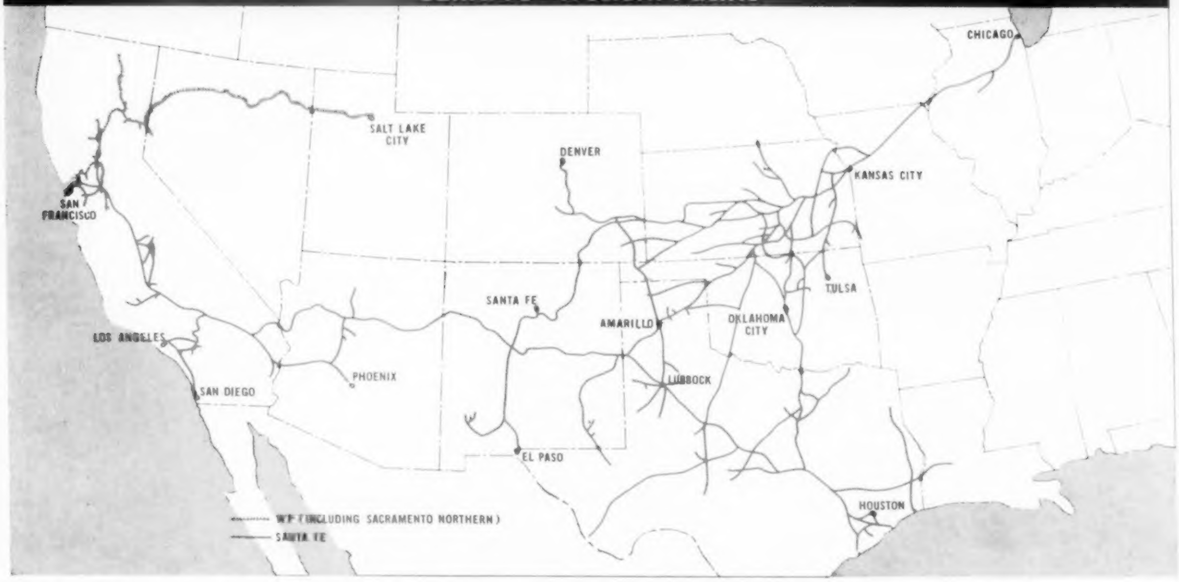
And as Interstate Commerce Commissioner Howard Freas put it, "Probably the thing which gives the greatest promise for the effectuation of economies is the increased interest in the consolidation or merger of railroads. There are many situations where consolidation or merger would enable railroads to reduce excessive plant, eliminate duplicate facilities, and otherwise eliminate waste, thus enabling them to realize substantially more net profit on the same gross revenues."

## SOO Line— Wisconsin Central— Duluth, South Shore & Atlantic



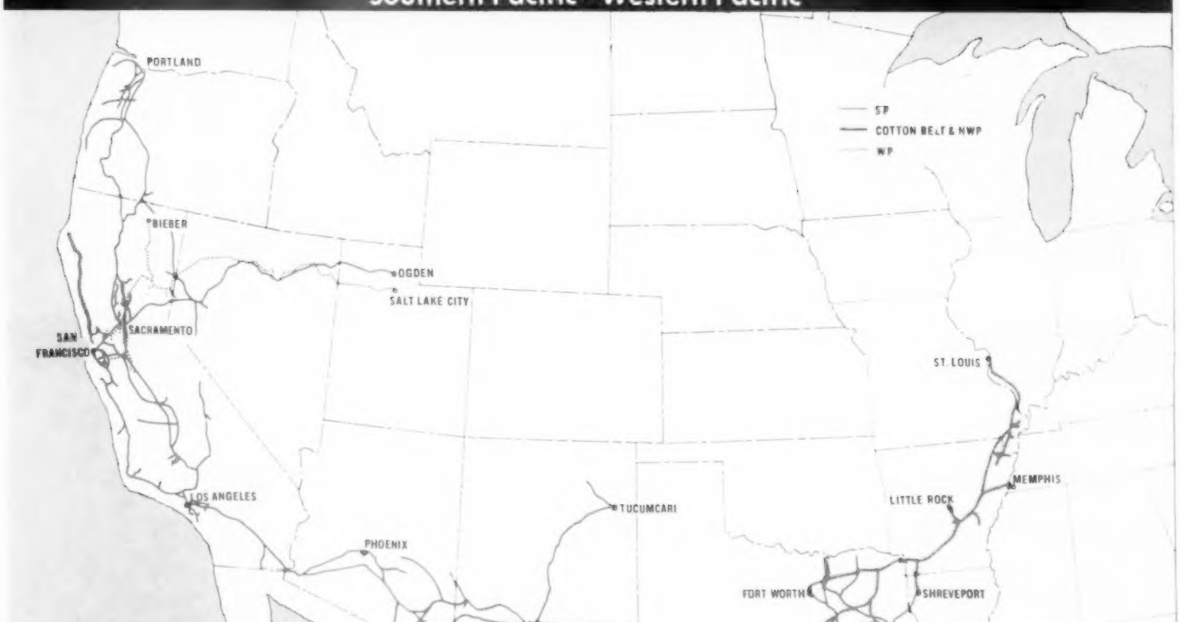

**SOO LINE MERGER** with Wisconsin Central and Duluth, South Shore & Atlantic is designed to smooth relationships of CPR's three related subsidiaries.

## Santa Fe—Western Pacific

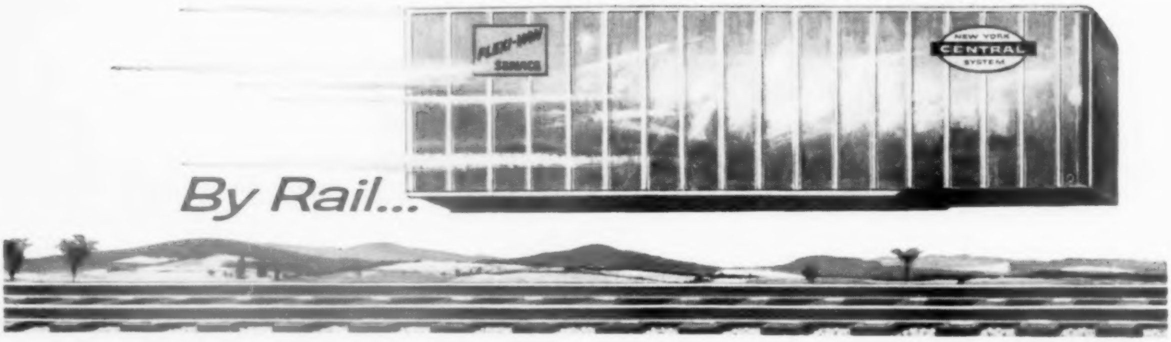


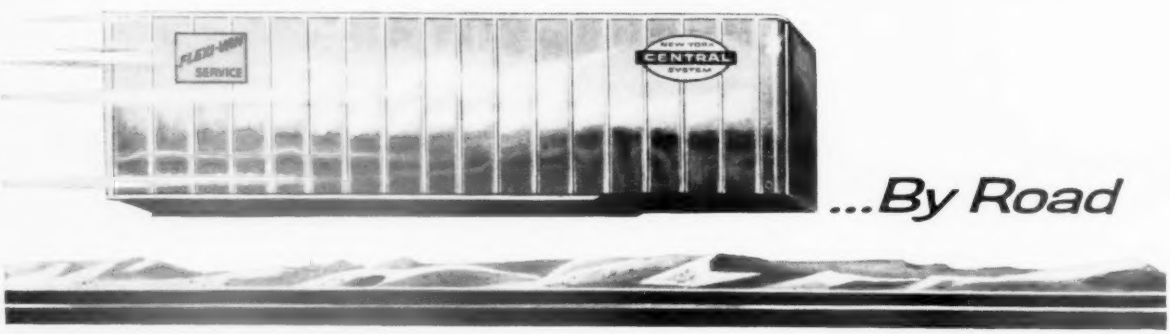

**SANTA FE-WESTERN PACIFIC** merger would be end-to-end, aimed at preserving existing competition and expanding facilities to meet projected growing demand. Santa Fe would operate WP as an independent line.

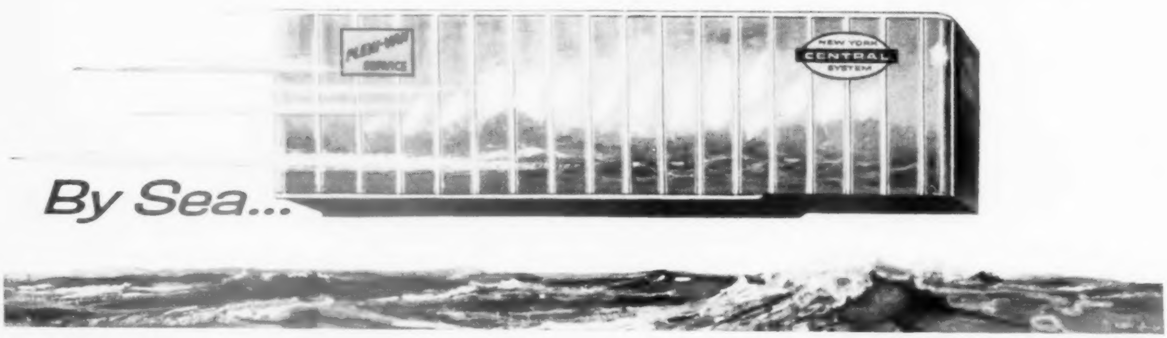
## Southern Pacific—Western Pacific




**SOUTHERN PACIFIC-WESTERN PACIFIC** merger offers possibility of coordinating routes and eliminating duplicate facilities, even though Western Pacific would continue to be operated independently.




# Here's the container of the future that can solve your shipping problems today!* New York Central's Flexi-Van

No matter what you ship or where you ship it, Flexi-Van can work to your advantage. This versatile container delivers from door-to-door, even if either door is miles from a railway terminal. Or even overseas.

Flexi-Van saves packing costs. Practically eliminates breakage and pilferage. Shippers benefited from Central's Flexi-Van so much that loadings more than doubled in 1960.

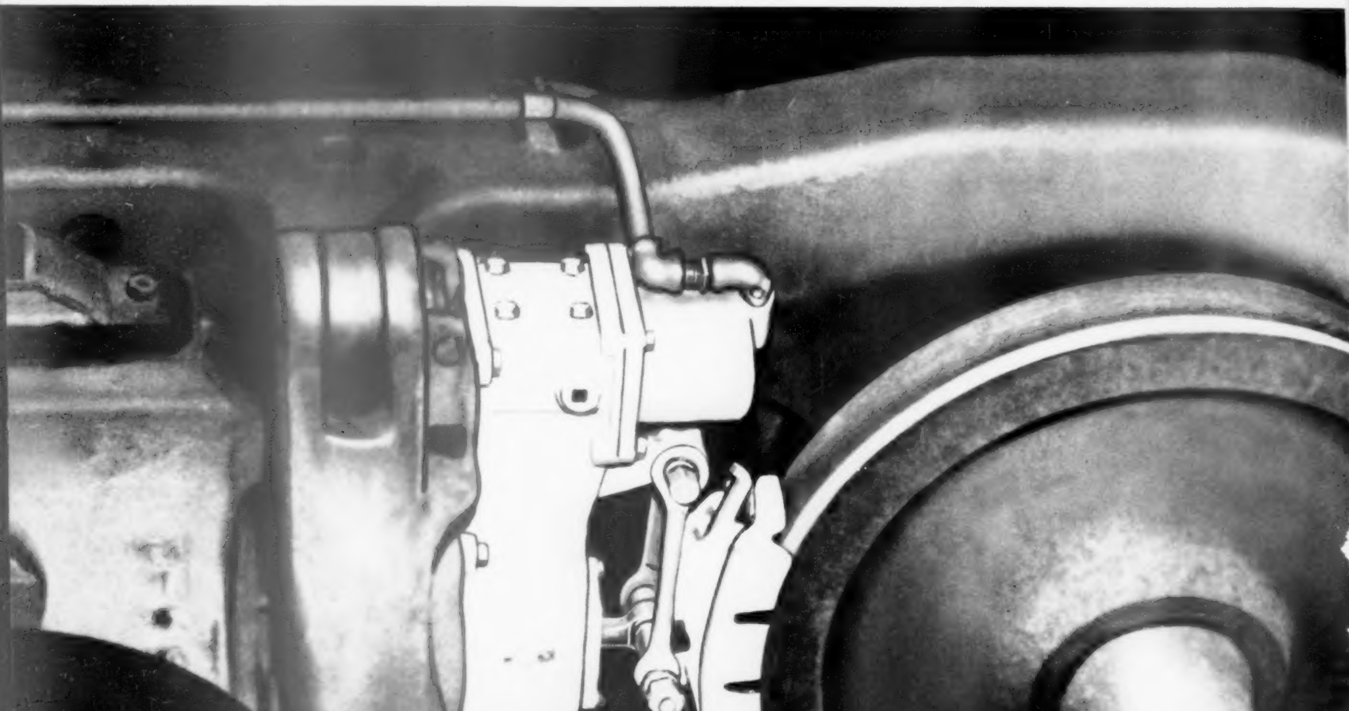
NEW YORK CENTRAL SYSTEM

*ROAD TO THE FUTURE*

*We'll bet you a good cigar that a survey of your present shipping operations will show where Flexi-Van can save you time and money. Write, wire or phone W. M. Hoffman, V.P.-Freight Sales, New York Central, Dept. L, 466 Lexington Ave., N.Y. 17, MU 9-8000.

# Westinghouse "G" Tread Brake Units

## Contribute outstanding over-all economies on



Success of this nationally famous Chicago & North Western Push-Pull fleet is reflected by its 3-year growth

| 13 CARS | 49 CARS | 165 CARS | 213 CARS |
|---|---|---|---|
| 1958 | 1959 | 1960 | 1961 |

# with Cobra* Shoes

## Chicago & North Western push-pull suburban fleet

MR. C. J. FITZPATRICK, President

**Chicago & North Western**

**Says:**

**"Cobra Shoe life and improved wheel performance have been a major factor in the over-all economies realized in the operation of our new Push-Pull Trains."**

TOTAL ANNUAL SAVINGS PER CAR

$437.00

in extended Brake Shoe and Wheel Life

PLUS FACTORS:

Dead Weight Reduction of 2.5 Tons Per Car

Rigging Eliminated

Satin-Smooth Running

Satin-Smooth Stops

*Registered Trademark of Railroad Friction Products Corporation

Westinghouse Air Brake
COMPANY

AIR BRAKE DIVISION · WILMERDING, PENNA.

# "marked down for clearance"

## . . . *means for progress, too!*

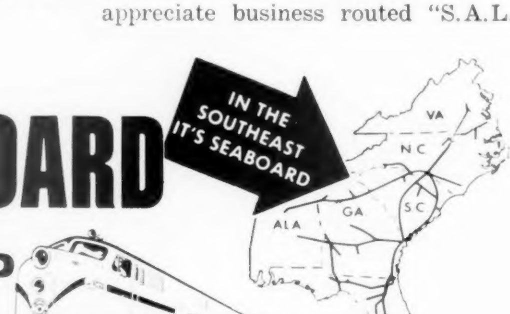
SEABOARD'S expanding Piggyback operations are part of a continuing effort to make every aspect of its freight service as attractive and serviceable to shippers as possible.

Recently, we lowered track one to three feet, at eight Seaboard points, to effect greater overhead clearances for TOFC equipment.

Another development has been door-to-door service using Seaboard's own trailers, between the East and major points on Seaboard rails in Virginia, the Carolinas, Georgia, Florida and Alabama.

Whatever the shipment, however it moves on our line, it is given the alert, interested attention of railroaders who appreciate business routed "S.A.L."

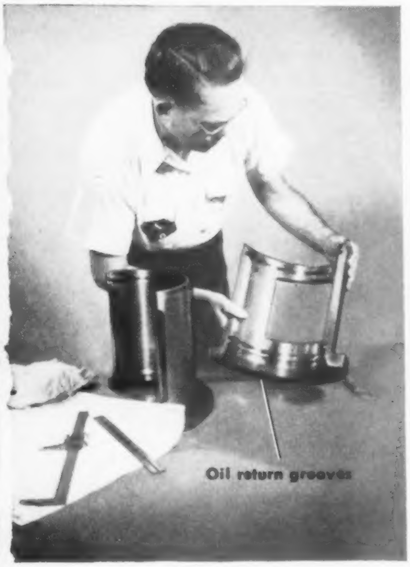
**SEABOARD**
**AIR LINE**
**RAILROAD**

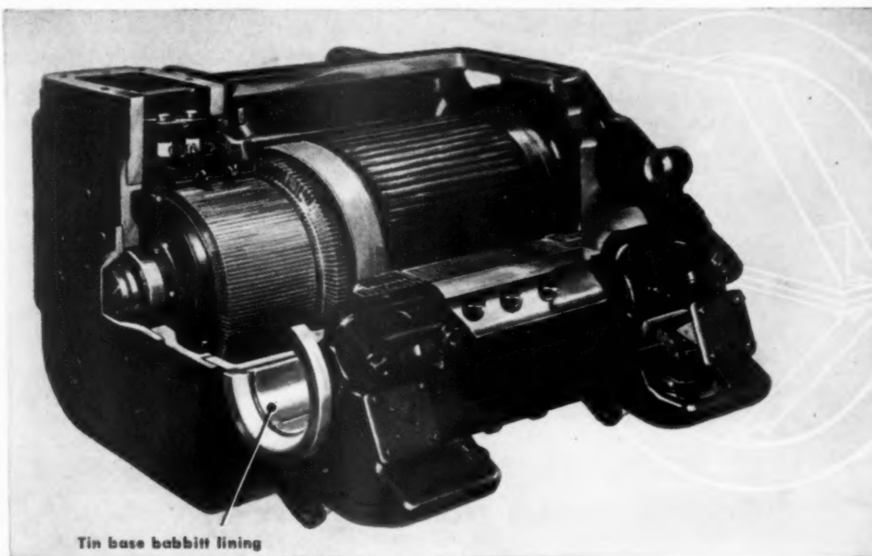



THE ROUTE OF COURTEOUS SERVICE

# BETTER BEARINGS

General Electric lined motor-support bearings provide four design improvements to extend bearing life. Top-grade tin-base babbitt (right photo), applied centrifugally, gives more uniform metal distribution; while a pure tin bond assures maximum bonding strength and longer bearing life. Oil return grooves (left photo) greatly reduce oil replacement by returning excess to axle caps. Hour-glass bore compensates for axle deflection under load and permits even oil distribution... eliminating break-in period to allow immediate full time locomotive operation.




# BETTER SERVICE

New "Pound for Pound" motor-support bearing conversion plan simplifies replacement... reduces administrative costs, and is part of General Electric's continuing effort to help railroads through simplified maintenance and purchasing policies. General Electric accepts any make of bronze wearing metal on a "pound for pound" conversion basis... establishes convenient receiving points for used metal... bills immediately after shipment at conversion prices. Further information is available by writing Section 121-03, General Electric Company, Schenectady 5, New York or by contacting your Renewal Parts Sales Engineer.

**GENERAL ELECTRIC**

# 'Outside' Training Pays Off

*More and more, railroads are turning to specialized courses at colleges and universities for help in developing the well-rounded executives today's complex railroad operation seems to require. More than a dozen top schools now offer courses ranging in length from a week to four months and covering various phases of executive and management development. A few universities—among them Northwestern, Stanford, Columbia and American—provide creative management training specifically in the transportation field.*

*Here's the way an educator at one of the schools looks at the problem of executive development on railroads.*

From the standpoint of an individual railroad, executive development is like a capital investment, says Dr. Eliezer Krumbein. "Adequate provision," he stresses, "must be made for building tomorrow's executive team, just as it must be made for new equipment, new financing and even new mergers."

Studies of executive development on railroads, Dr. Krumbein contends, show that executive promotions "are too often of two sorts—men are promoted on the basis of personal loyalty, or on the basis of job seniority."

"In the first case, the department head reasons logically enough that the best bets for promotion are those men who have stuck by him, who respect and covet his approval. But such a promotion policy eventually makes a railroad or a department dependent upon the views and decisions of a single man who is undeniably mortal, who may have rigid opinions about new methods or equipment, who may cherish the outworn ideas of his youth. The department is often robbed of growing leadership.

"In the second case—giving precedence to job seniority—there's a different danger. The executive who is chosen because he's next in line may lack the motivation and drive to do well at a higher level. He may flounder when he's placed in a job of wider scope and more complex coordinations."

Sometimes, says Dr. Krumbein, who is assistant director of education of the Transportation Center at Northwestern University, the best man gets the job "despite these dangerous criteria." But, with the emphasis on personal loyalty and seniority, on occasion the man promoted "is the wrong man, without sufficient ability. As a result, railroads, more than any other transport mode, derive almost all their new ideas from people outside the industry, rather than from inside."

With the increasing complexity of railroading and the consequent specialization of middle management, he notes, "many railroads have drifted into a situation where all decisions are made at the top and no one does anything except gather facts and carry out orders. Some roads build elaborate systems—complete with standard procedures, rule books and so forth—to cover every contingency. And in such organizations, the junior executives and middle management never make any significant decisions without clearing it with the boss or the rule book. . . .

"Such organizations sacrifice initiative. No one makes mistakes or does anything new or differently. No one learns to exercise his judgment.

"One of the acid tests of railroad executive efficiency occurs when a new and unfamiliar problem is laid before a group of middle management executives. In many cases, we find these executives are over-cautious. Not only do they lack knowledge, but also evidently they have had little training in the ABC's of how to find out. If such executives cannot avoid making the decision, they will try to solve new and unfamiliar problems by adapting old solutions to old problems."

Dr. Krumbein concedes that the special problems and special technologies of railroading make promotion from within necessary. But, he emphasizes, a policy of promotion from within, "if it is not coupled with outside training, can lead to disaster . . . [It] can be carried out successfully only if it goes hand in hand with consistent, repeated and thorough training, inside and outside the organization.

"Some decisions are easy to make. The facts are all there, the course seems fairly obvious and the risks negligible. But, in some management situations some facts are unknown, the course is not obvious and the risks may be considerable.

"An executive promoted to a decision-making job without practice in decision-making and without outside training to provide him with some wider background of knowledge, is usually a lost soul. Consciously or unconsciously, he will avoid making any decision involving any risk . . .

"What is required in executives is the ability and knowledge to grasp broad problems even if new, to weigh alternate courses of action and then wisely to choose one course to act upon. This means the executive must be able to see the forest and the paths through it—despite the trees."

## Executive Training Programs Are Varied

Outside education programs vary, road to road. Santa Fe, for example, sends about 30 middle management people to the University of Southern California each summer for an intensive, six-week institute on business economics (plus public speaking and conference leadership). Missouri Pacific, which repays half to full tuition to personnel taking job-relating training courses, had 142 employees participating last year.

An increasing number of companies are also sending junior executives to special on-campus management development courses and seminars. In the transportation field, the choices include a two-week executive seminar and a five-week course on executive planning in transportation at the Transportation Center at Northwestern; a four-week transportation management program at Stanford; a two-week institute on railroad management at American University; and a one-week transportation management program at Columbia.

Other less specialized executive development programs are offered at such universities as Columbia, Colorado, Cornell, Harvard, Illinois, Kansas, M.I.T., Stanford, Missouri, Texas A. & M., Texas, U.S.C. and Washington.


**EXPERIMENTAL** mechanical refrigerator cars are designed to hold down costs of hauling fresh fruit and vegetables.

# PFE Builds New-Type Reefer

Pacific Fruit Express hopes to hold transportation costs of fresh fruit and vegetables at reasonable levels by using new mechanical refrigerator cars.

Now under construction in PFE's Los Angeles shops are 25 cars designed for moderate-temperature service only. They are believed to be the first cars of this type built especially for carrying fresh fruit and vegetables.

The cars, of class R-70-11, are essentially experimental: Different types of insulation and application methods are being used to obtain valuable information about insulation requirements for cars not used to carry frozen foods.

Classified as "fresh produce, semi-envelope" cars, they are designed to maintain loads between +30 and 70 deg. F. They may be compared with the 1,000 R-70-12 all-purpose cars built at Los Angeles shops (RA, July 11, 1960, p. 22), which maintain load temperatures between -10 and 70 deg. F. The cars of both types are 50 ft long.

The Class R-70-11 cars have two inches less insulation in the walls, floors and ceiling. This accounts for the increased length, width, height, cubic capacity and lower height from rail to top of floor rack. The increased light weight is due to cushion-type underframes which weigh considerably more than the conventional design used on the 1,000 Class R-70-12 cars.

With higher minimum temperature, the same capacity refrigeration system as used in the R-70-12 cars is adequate and assures full interchangeability between the two classes of cars. It also permits direct comparison of system performance with cars of different insulation thicknesses.

The R-70-11 car body is all welded, with external side posts in lieu of the conventional riveted construction and internal side posts. Car roofs and ends also are of all-welded design. This type of construction provides for better insulation application and tends to reduce heat infiltration. All cars are equipped with 70-ton trucks having 6-in. by 11-in. axles, roller bearings and two-wear steel wheels.

### *Shock-Absorbing Equipment Used*

Fifteen cars have super-cushion underframes in which impact forces are absorbed and dissipated through a cushioning device built into the center sill. The other 10 cars have hydra-cushion underframes.

While four different types of insulation are used, all cars have 5-in. rigid foamed plastic panels in the floor with foam-in-place insulation between the side sill and the side floor stringer.

Five cars have 5-in. foamed plastic panels in the walls and ends and 7-in. foamed plastic panels in the roof. Five cars have all air-layer insulation, 5 in. in the walls, 7 in. in the roof.

The next 5 cars have 5-in. corrugated plastic polystyrene panels in the walls and B-end, and 5-in. foamed plastic panels in the A-end bulkhead. The roof consists of 7-in. polystyrene panels laid upon ⅜-in. plywood subceiling.

The remaining 10 cars, with hydra-cushion underframes, have 2-in. blanket fiberglas and 3-in. multi-air layer insulation in walls and ends, and 7 in. of fiberglas and air layer insulation in the roof.

All cars have 8-ft-wide doors which have vertical corrugated plastic liners filled with expanded polystyrene insulation.

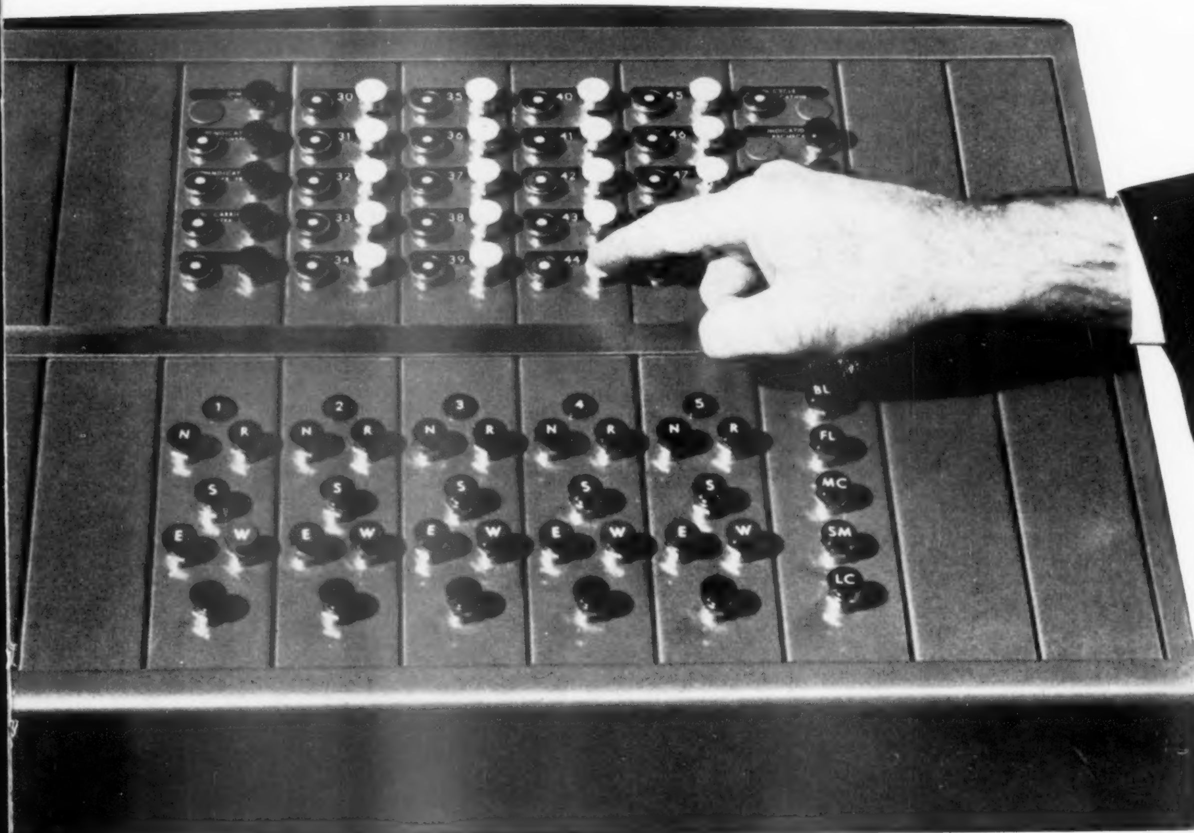
All 25 cars are equipped with movable steel load dividers to sectionalize the car loading compartment into three sections of any dimensions.

The refrigeration equipment has a 10-hp semi-hermetic compressor motor, a 2-hp condenser fan motor and a 1-hp evaporator fan motor. Car temperatures are controlled by mechanical thermostats which operate on a temperature-sensing mercury-bulb principle.

Power is supplied by a 20-hp diesel engine coupled to a brushless generator. The diesel engine is equipped with a two-speed actuating device that allows the engine to operate at two speeds corresponding to 60 cycles, 220 volts at 1,800 rpm and 40 cycles, 150 volts at 1,200 rpm.

Batteries are 12-volt nickel cadmium type, charged by a silicon rectifier device that obtains its power supply from the alternator.

# INTER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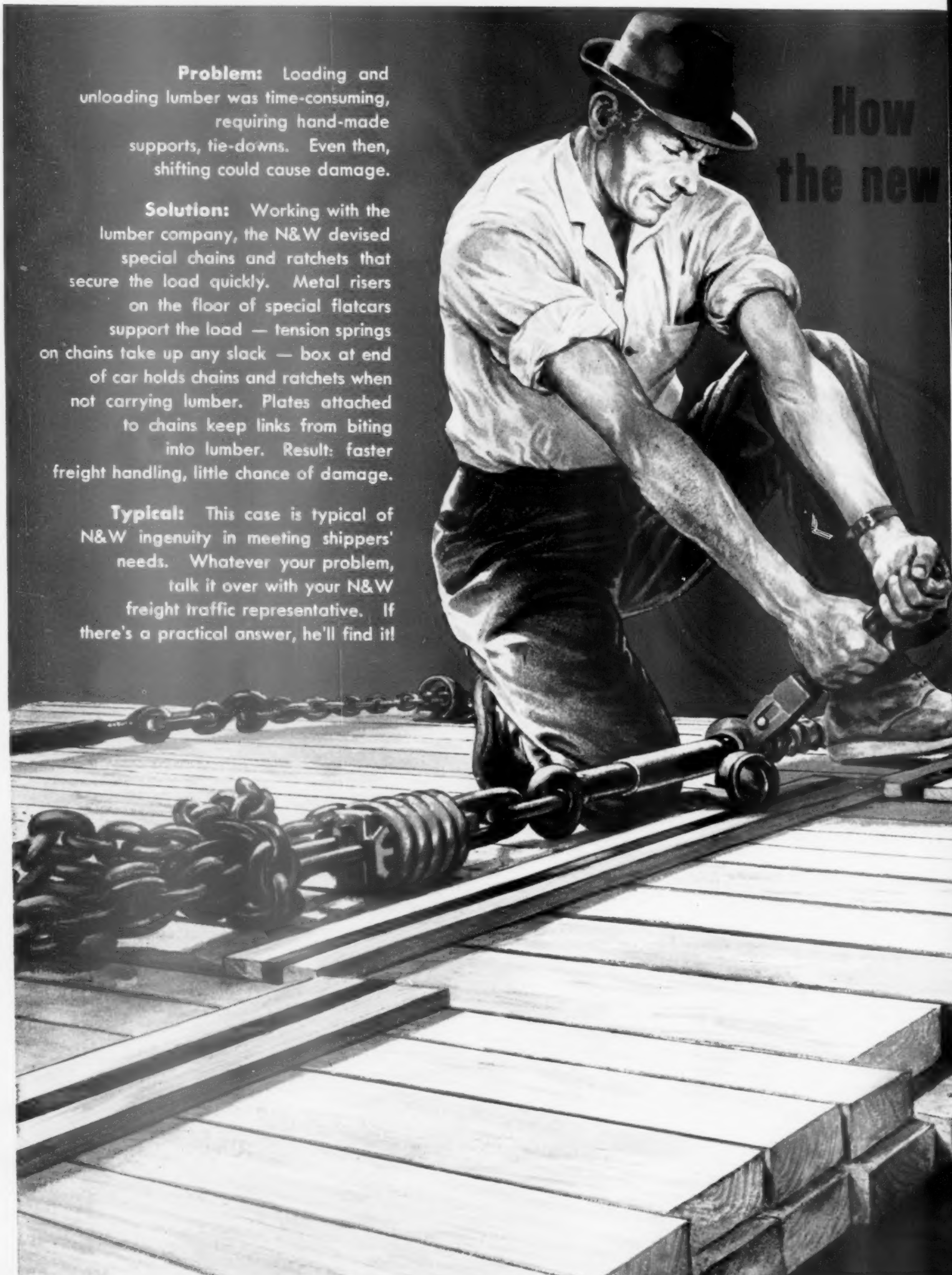
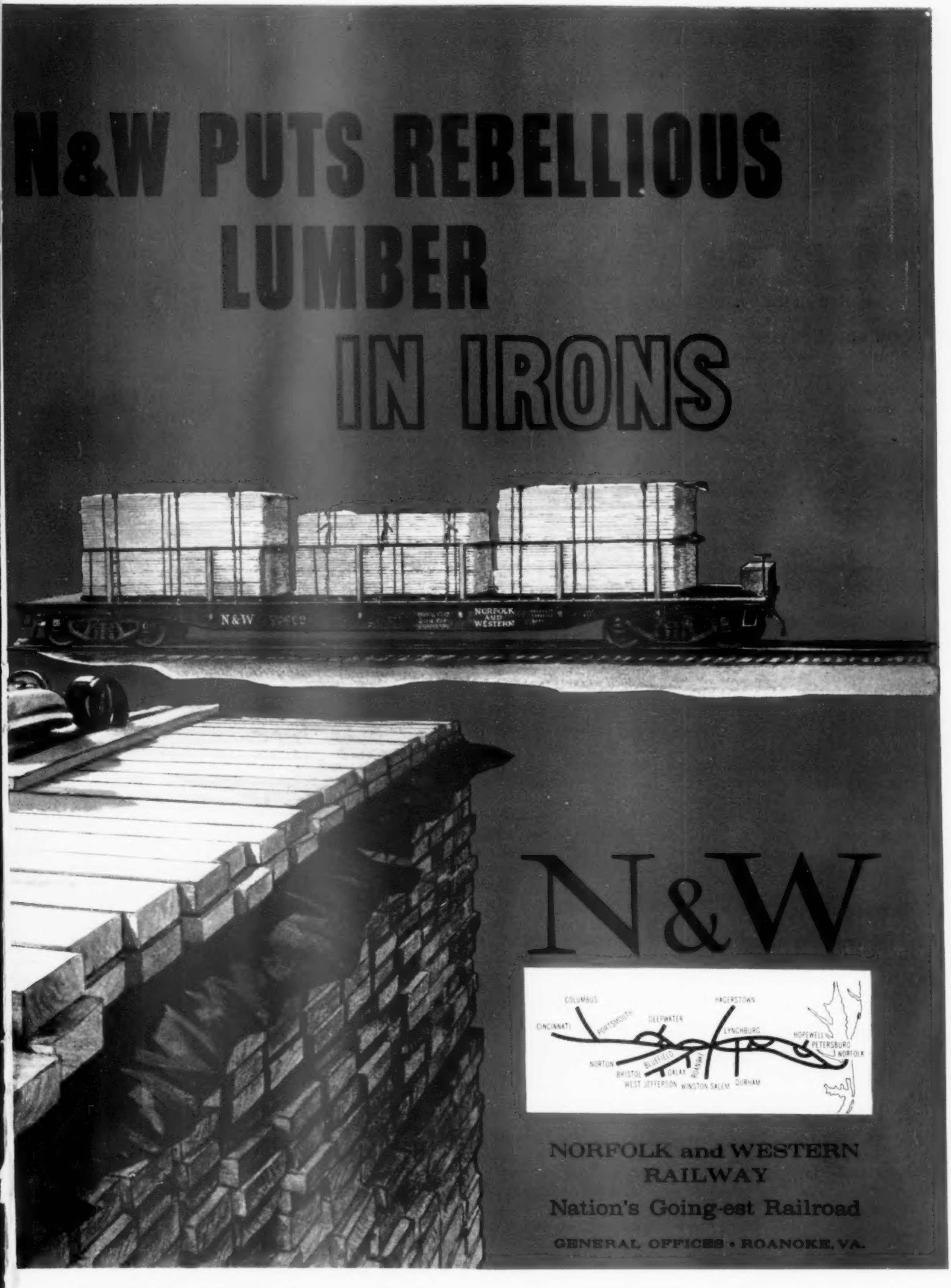


How
the new
**Problem:** Loading and unloading lumber was time-consuming, requiring hand-made supports, tie-downs. Even then, shifting could cause damage.
**Solution:** Working with the lumber company, the N&W devised special chains and ratchets that secure the load quickly. Metal risers on the floor of special flatcars support the load — tension springs on chains take up any slack — box at end of car holds chains and ratchets when not carrying lumber. Plates attached to chains keep links from biting into lumber. Result: faster freight handling, little chance of damage.
**Typical:** This case is typical of N&W ingenuity in meeting shippers' needs. Whatever your problem, talk it over with your N&W freight traffic representative. If there's a practical answer, he'll find it!


N&W PUTS REBELLIOUS
LUMBER
IN IRONS
N&W
NORFOLK AND WESTERN
N&W
COLUMBUS
HAGERSTOWN
CINCINNATI
PORTSMOUTH
DEEPWATER
LYNCHBURG
HOPEWELL
PETERSBURG
NORFOLK
NORTON
BRISTOL
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Nation's Going-est Railroad
GENERAL OFFICES • ROANOKE, VA.

# Road-Rail Trucks for LCL?

A **forum for railroaders** who want to explore questions of importance to their industry, this department welcomes both questions and answers from readers at all levels of responsibility in the industry and associated fields. We'll pay $10 to any reader submitting a question that forms the basis for a column discussion. Address correspondence to Question and Answer Editor, Railway Age, 30 Church St., New York 7, N. Y.

•

Some questions that will be raised here soon involve: the advantage of branch line consolidation by joint ownership, as opposed to overall merger of the parent companies; the advantages of consolidating passenger services by regions, with a separate corporation for each region; the need for a rule defining current of traffic.

To the Question and Answer Editor:

For some time, I have been watching with interest the attempts of railroad leaders to convince Congress, the ICC and the public of the justice in allowing the railroad industry to diversify, particularly into the field of highway transportation. It is almost axiomatic that strong trunk lines are dependent upon adequate means of collecting and distributing freight prior to and following the line haul. Now in the larger centers, this problem of collection and distribution can be successfully attacked by a number of techniques: e.g., pick-up and delivery service, containerization, piggyback, or some combination of these and other devices.

It is not with these large centers that I am concerned. It is, rather, with the small stations whose volume does not justify the provision of pickup and delivery services nor the equipment necessary for the use of trailers or containers. It is these stations that can benefit most from substituted motor service, and these benefits are needed *now*. It is not just a matter of the survival of service on a branch (for the continuance of such service is not likely to be predicated upon LCL traffic) or one of satisfactory service to the shipping public, though these may be factors. The real significance of substituted service to the railroads may most often be in minimizing the costs of performing a service which they are required to perform.

### Why Substituted Service?

The benefits of substituted service were brought quite forcefully to my attention a few weeks ago during a visit to French Lick, Ind., which is the termination of a short branch of the Monon. While at the freight house, I noticed an LCL car at the platform which contained a few cases (perhaps two or three dozen) of a well-known local product, Pluto Water. The car was foreign to the Monon; and, since it had probably been sitting on the house track for some time (I was told that the Monon serves this branch only two or three times a week), no doubt the per diem charges on the foreign had already stolen what little profit there was in the shipment. The fact that the package car was foreign was indeed fortunate, for it serves to emphasize the cost of idle equipment through the per diem charge; but this should not be allowed to obscure the fact that even a home car in exactly the same conditions is also costing the railroad money, though it cannot be calculated so precisely as the per diem charge. In fact, the true cost in both instances is in no way related to the per diem charge but should really be measured by the amount of revenue lost by not using the car in the best available alternative service.

In addition to the costs of the idle car, we are probably safe in speculating that the consignor bemoaned the slow service that the Monon gave him, which is just one more factor in his mind to justify switching to truck for future shipments.

And, to cap it all, there is the incongruous sight of a 4,000-cu-ft, 50-ton capacity car being used to transport a few hundred pounds to the Monon's LCL center at Bloomington.

Now, it seems to me that substituted motor service is logical for use in a situation of this kind. The advantages include (1) releasing the foreign car for revenue service or return home, (2) more nearly matching the equipment to the task, (3) probably even greater savings through the elimination of similar situations at other stations along the line, and (4) a much happier customer whose LCL can be handled with reasonable dispatch. But all of this means nothing if the privilege of substituted service is not available to the railroad.

*But is it not available?* Railway Age has frequently run advertisements showing the application of rail guidance devices to maintenance of way and supervisory vehicles. Could not a similar vehicle be used for LCL purposes, at least on lightly traveled branches? It appears logical that *no highway operating rights are needed* if the vehicle moves over the roadbed of the railroad. It is, in a sense, no different from a self-propelled box car—one which could, however, leave the rails at each station to perform pick-up and delivery services.

I have not researched the many, many problems that might come to light in an operation of this kind, but a few of them come to mind with no effort at all. First and foremost, how big a crew would be needed for such an operation? Obviously, the railroad brotherhoods hold in their hands the answer to a large part of this question. If a one-man crew could be used, to which craft should he belong? Could such a vehicle used in revenue service be safely interspersed among other traffic movements? (This problem would not be significant on branches such as those of the Monon to French Lick, but I am thinking of the probable desirability of running the vehicle on the main line to the LCL center at Bloomington.)

Perhaps the biggest question of all is, is LCL traffic worth handling in any situation? My own prejudiced answer to this is that, since it must be handled anyway, it should be handled in the most efficient, least costly method available.

More questions have been raised here than have been answered, but perhaps there is food for thought, also. Certainly the many problems facing the railroad industry today provide a fertile field for a little "brainstorming," which is exactly the intent of this short essay.—*James E. Lane, assistant professor of business, Indiana State Teachers College.*

# Scientific Pricing Is the Key

*How should railroad freight service be priced to attract to railroads that part of the total movement which they can handle economically, while, at the same time, railroads get the largest possible net revenue?*

*Some innovators would put aside "value of service" considerations and base railroad rates entirely on railroad out-of-pocket costs as a "floor"—with a "ceiling" slightly below the cost of competitive service (especially that of private transportation). Between the "ceiling" and the "floor" they would establish a rate progression at some arbitrary percentage above actual cost.*

*The writer of this article accepts the "floor" and the "ceiling," but he believes the actual rate progression between those two boundaries should be "tailored to fit" the marketing practices of the commodity in question.*—Editor

By ROBERT T. WOOD*

The heart of the discussion of railroad rate-making now raging lies in the fact that competitive and financial pressures have changed the railroads' pricing system just as the forward pass and the free substitution rule changed football. The object of the game is the same, but who uses the "flying wedge" any more? Strategy has to be different nowadays. And flexible, too.

The objective of higher net profit is not attained by raising rates across the board on a diminishing traffic volume.

Neither is that objective attained by establishing rates at a figure representing fully distributed costs plus a standard ratio of mark-up—which some have advocated.

Nor are profits often enhanced by cutting rates to the bone for carload minima that are kept down to approximate the minima of trucks—thus choosing to compete on the competitors' terms, throwing away the economy of well-filled cars—an economy that can be shared with customers, thus attracting their patronage while maximizing railroad earnings per carload.

There is a fantastic variety in the pricing problems faced by railroad rate makers, but observation seems to substantiate the following conclusions:

- The only principle of railroad rate-making that fits nearly all movements is the prescription calling for low rates—small profit margins above direct costs—on short hauls, where the competition is strongest and traffic volume the heaviest.
- An "incentive discount" can be effective (provided the resulting rate is attractive) whether it takes the form of several alternate minima or is continuous (i.e., applies to every 100 lb above the minimum). The choice of incentive method should be heavily conditioned by the customer industry's pricing system.
- Each railroad rate should be above direct cost and below truck cost (i.e., where the truck cost is above rail direct cost). Rate policy concerns what can be done between the floor of railroad cost and the ceiling of truck cost. That is where value-of-service considerations must be taken into account.
- The railroads' great opportunity, their great economic potential, lies in filling their half-loaded cars. This can be done by establishing low rates based on high loads where the rails do not now have the traffic, and by sharing with shippers through lower rates the savings gained by heavier loads.
- There are limits to the extent to which railroads can profitably charge

*Robert T. Wood is a transportation research analyst having market and rate experience in industrial traffic, air and railroad transportation.

## Seven Opportunities for More Profits

### Commodity "A"

**Railroads' Present Share** — Less than one-fifth of total. Rail tonnage declining despite commodity growth trend of 1% per year.

**Pricing System** — Usually Method 2. **Charges Equalized,** but in important markets near producing points there are some instances also of Method 1 — **Delivered Pricing.**

**Marketing Situation** — Extremely competitive. Many producers, thousands of receivers. Commodity is almost a style item, often requiring frequent, small shipments. Inventory control is a problem. Warehousing is increasing as competitive tool to provide service to customers. Some receivers have credit problems, think twice before expanding inventories. Some receivers off-rail, tendency to locate off-rail. Rails have no traffic at all under delivered pricing.

**Conclusions** — Rails have already lost nearly all the manufacturer-receiver traffic, though they still have most of the intra-company traffic. There is very little problem of dilution of present rail revenue by rate changes because there isn't any, practically. Where full freight allowed applies, rate action must be liberal to be effective.

**Indicated Railroad Action** — (a) Set rates as low as rail costs will permit at short hauls at low minima. Publish continuous incentives at substantial discount to induce maintenance of high inventories and encourage warehousing by manufacturers. Multiple car rates to encourage warehousing would help. (b) Lowest possible rates to selected, delivered price markets where the rails now have no traffic at all.

### Commodity "B"

**Railroads' Present Share** — Approximately two-fifths still on rails. Substantial annual decrease in rail tonnage. Commodity's growth trend — up 4.5% per year.

**Pricing Systems** — Method 3 — **Full Freight Charges Allowed, by cheapest available transportation.**

**Marketing Situation**—Quite competitive. A few producers and relatively few receivers. Most receivers have plenty of space, good credit, good volume. Minimum weights not a problem. Production centralized geographically. An important minority of these receivers are off-rail. Rail has a substantial share of the long-haul tonnage.

**Conclusions** — There is a continuing erosion of traffic in the shorter hauls. Longer-haul traffic is relatively safe under present rate structure. The major rail disability is the unloading cost and sometimes the drayage cost. Receivers will put up with slow service to save some money.

**Indicated Railroad Action** — (a) Set short-haul rates somewhat below truck cost (where rail costs permit) at competitively low minima to get on-rail traffic. Substantial flat

# to Increased Traffic, Revenue

high rates for the longer hauls, beyond the reach of truck competition. There is evidence that total transportation demand is often elastic at longer hauls, and that moderate rates can often create new traffic.

• A most important factor affecting the railroad traffic volume of any commodity is the industry's pricing policy—e.g., whether the receiver who buys the merchandise pays more if he requires shipment by truck when truck rates are higher than railroad rates. Although such a trade practice would seem to be outside the railroad's control, there is some evidence that efforts to provide customers with an incentive—possible and justifiable by relative economy of railroad service—will induce changes in the way the business is conducted.

Some major types of industrial pricing systems which the rate-maker must take into account in the actual construction of rates are:

**1.** *Delivered, Destination Pricing.* Under this system the shipper absorbs all freight charges. The customer pays the same for his goods whether they come by rail or by truck. The minimum quantity on which the shipper will absorb the freight charge is usually the equivalent of a truckload. Since the receiver saves no money from a railroad rate that is lower than the truck rate, and since truck service is often more convenient for the receiver, he will usually specify truck routing. A lower railroad rate is ineffective in attracting traffic to railroads where this pricing policy applies and the receiver routes the freight.

**2.** *Freight Charges Equalized via Type of Carrier.* Here the customer pays the price of the goods at the point of origin, plus the freight rate from the nearest competitive point of origin. If he orders from a point from which the rate to his plant is 50¢ and he could buy from another point where the applicable rate is 35¢, he pays origin price plus 35¢. If he specifies truck routing, he pays the truck rate from the nearest competitive point. If he specifies rail shipment, he pays the railroad rate from the nearest point of origin.

Note that in this case the rates that will determine the consignee's choice of transportation will not be the rates on the longer hauls from actual points of origin, but the rates on movement from competing points, where the haul may be shorter. However, the receiver does benefit from lower railroad rates. Hence, railroads are in a much happier situation under this type of pricing than when all freight charges are absorbed by the shipper, with choice of transportation left to the consignee.

**3.** *Full Freight Allowed, Cheapest Means.* Under this arrangement, the customer must order at least the minimum weight applicable to the lowest published rate, whether by rail or truck, to avoid paying freight charges. Any excess in charges above the lowest published rate is charged to his account. Here lower rates by the railroad are effective in inducing the use of railroad service.

**4.** *Rail Freight Allowed, Premium Charged for Truck Shipment.* This pricing system is often used where receivers want jobsite delivery or carefully timed delivery and will pay a premium.

**5.** *Negotiated Delivered Price.* Here the (usually) lower railroad rate is used in calculating the laid-down price at destination. Truck routing is permitted in emergencies, but the intent is that the cheapest means be used as much as possible. Where railroad rates are lower, such pricing usually results in movement by railroad.

**6.** *Quantity Discounts Above the*

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(cents per lb) discount over next few thousand pounds to counter truck competition, overcome loading and drayage disabilities, establish real incentive for industry to use rail. **Less** of a discount over remaining car capacity, aimed solely to encourage high loading. Multiple car rates at limited discounts. (b) On long-haul traffic — apply only the smaller discount aimed at achieving higher loading.

### Commodity "C"

**Railroads' Present Share** — About half of traffic on rails. Rail tonnage declining. Commodity's Growth trend — up 2.6% per year.

**Pricing Systems** — Usually Method 2, **Charges equalized,** but in important markets near producing points Method 1, **Delivered Pricing,** is in practice with zones spreading.

**Marketing Situation** — A limited number of manufacturers, many receivers. Shippers favor use of rail for marketing policy reasons. Fairly standard product, high turnover. High minima not a great problem. Rail has a loading/unloading disadvantage with one older type of equipment, not with another and newer type.

**Conclusions** — Outside the delivered price markets, a small difference in rate is enough to hold the traffic on the rails. In some of the larger cities the diversion to truck is complete and rate action would have to be drastic to be effective. Rates should promote the use of older, non-specialized equipment. Low long-haul rates might break down the freight equalization system and destroy the rail share.

**Indicated Railroad Action** — (a) Set rates slightly below truck cost, where rail costs permit, particularly at short hauls, at low minima. Provide continuing incentive above that, enough to encourage heavy loadings, overcome some unloading disabilities. This should result in fairly generous margins on most hauls — much higher than in instance "A." (b) Take aggressive action with low rates, at high minima to the delivered price markets where rails now have nothing. (c) Maintain relatively remunerative rates where new equipment is supplied.

### Commodity "D"

**Railroads' Present Share** — Two-fifths now on rails. Substantial annual decrease in railroad tonnage despite commodity's growth trend — up 14% per year.

**Pricing System** — Complicated pricing. Sometimes Method 3 — shipper routes freight; sometimes Method 4; sometimes Method 5.

**Marketing Situation** — A few large companies, many receivers of different types. Three special points apply here: (a) rail has an actual service advantage here in some cases; (b) there is a trend to decentralization of production which threatens some of the present rail

(*Continued on page 50*)

*Truckload Minimum.* Under this system there are lower prices for volume purchases. The lower prices for higher volumes are sometimes associated with lower freight rates at higher alternate minima, or with bulk handling and lower handling cost. Although the quantity discount applies for either rail or truck movement, when the discounts apply at higher weights, they often tend to favor movement by rails. However, the rails' advantage is nowhere near as great as under 2 or 3 above.

The accompanying case histories show examples of how industry pricing policies and other elements of the marketing situation call for varying treatment by railroads.

Compare Commodities "A," "C" and "F." They are in the same general business type, their loading characteristics run from heavy to fairly heavy and their cost per pound is fairly low as manufactured products go. Yet in case "C" it would probably take no more than a cent per 100 lb to win much of the traffic to rail movement. In case "A" it would take at least 5¢ to have substantial effect (more at higher weights), and in case "F" a difference of 30¢ might not be enough.

*Pricing for Profit:* There is a consistent pricing philosophy behind the pricing recommendations shown in connection with cases "A" through "G." It may be summarized as follows:

If there is traffic moving by other methods for which railroad costs permit railroads to compete, then they should make rates to attract that traffic, provided the sacrifice in revenue on traffic now moving by rail is not too great. Of course, if present traffic is sharply declining, this sacrifice of present revenue is not very important.

Where customers are satisfied with service and present profitable rates, the situation should be disturbed as little as possible.

When overall pricing results in overall earnings that are unnecessarily lucrative, only then will there be justification for downward revision of rates for any other purpose than to increase net earnings. This policy is very much to the public's advantage, because only reasonably profitable railroads can attract the capital necessary to keep their service modern.

There is nothing economically or morally wrong with "charging what the traffic will bear" in the railroads' present situation. They need more money or they'll go broke. The big thing is to find out where the customer is able and willing to pay a reasonable profit margin before he turns away from the railroads to alternate forms.

In the long run there is nothing inimical to truck transportation—where comparative economy is on their side—in such an aggressive pricing policy as this on the part of railroads. Such a policy by railroads will deliberately encourage trucks to take that traffic (shorter hauls and lighter loads) where they have an economic advantage. Trucks will lose only where they have penetrated into traffic which can be handled most economically by railroads. The advantage to shippers is also perfectly clear—lower total cost of transportation by encouraging each agency to concentrate in the field of its own economic superiority. Both railroads and trucks should thrive on this approach to pricing, and that also is to shippers' advantage in assuring that both agencies have the means to keep their facilities up to date.

The way to begin to find out what the customer will pay is to study each industry and its products, then ask some customers—*both shippers and receivers*—in each industry such questions as:

## Seven Opportunities for More Profits *(Continued from page 49)*

traffic and (c) some receivers would much prefer to receive in split carloads and split truckloads, and do receive that way.

**Conclusions** — Rails' present traffic is vulnerable on both long and short hauls. It is doubtful if the shipments on which rails have an advantage can be separated from that where they are at a disadvantage. A vigorous rate policy is indicated.

**Indicated Railroad Action**—Lower rates on short hauls which are very vulnerable. Avoid too-high rates on the longer hauls to discourage decentralization. Review split carload rates and charges to see if they are compensatory on this traffic.

### Commodity "E"

**Railroads' Present Share** — Approximately half on rails. Substantial annual decrease in railroad tonnage. Commodity's growth trend — up 0.5% per year.

**Pricing System** — Method 2.

**Marketing Situation** — A relatively few shippers, a fair number of receivers. Many products are specialties which are hard to duplicate elsewhere. Receiver controls routing. Inventory maintenance somewhat expensive.

**Conclusions** — Rail loss of traffic is continuing and severe. Rail disabilities are: (1) inventory maintenance costs, increased by slow and undependable service; and (2) unloading disabilities; and (3) the sheer convenience of truck service. Long-haul traffic is not in jeopardy.

**Indicated Railroad Action**—Low rates on short hauls, continuing incentives for higher loading designed to overcome inventory costs, unloading disabilities. Provide adequately higher margins for longer hauls.

### Commodity "F"

**Railroads' Present Share** — Only a small percentage of total tonnage still on the railroads.

**Pricing System** — Method 1.

**Marketing Situation** — A limited number of large manufacturers, many receivers. A few very favorably located manufacturers who favor truck. It doesn't cost them much to provide this service.

**Conclusions** — The favorably situated manufacturers established delivered pricing, which knocked the rails out of the picture. Other manufacturers would be receptive to low volume rates, to get their competitive position back.

**Indicated Railroad Action** — Moderate rates at low minimum weights to encourage rail traffic to wholesalers and others and perhaps invite a revision of the whole price structure to absorption of rail freight charges only. Lower rates at or near car capacity to encourage warehousing by manufacturers, direct carload buying by business consumer.

### Commodity "G"

**Railroads' Present Share** — Less than one-third on rail. Average annual **increase** in rail originations substantial. Commodity's growth trend — up 16% per year. Note: Rail participation began in the last 5 years, helped by a very successful rate adjustment which attracted much of the warehouse traffic. The railroads' share is now slipping.

**Pricing System** — Methods 1, 5 and 6 concurrently. Quantity discount prices are often quoted but prices are on a delivered basis.

**Marketing Situation** — A limited number of large manufacturers, many small producers, an extremely

Why they use railroad service to the degree they do;

Why the share assigned to railroads is not larger;

Whether traffic not now moving by rail could be attracted to rail movement under any circumstances;

What concessions would be necessary to attract how much traffic;

How long we'd have to wait for it; and

What railroad practices would have to be altered.

Then evaluate the replies, frame some new questions and go back again. Shippers will help you if they are convinced you want to help them.

There is no magic formula here. It is pragmatism—finding out what will work and doing it—that's all. It costs money to do all this fact-finding. It's time consuming. According to some shippers it's 20 or 30 years too late. But the superior economy of the fully loaded freight car for most of the nation's tonnage (even in the shorter distances, if it's loaded heavily enough) is unshaken. Rate-making which uses this superior economy wisely and selectively can scarcely fail to hold and increase the railroads' traffic and earnings.

large number of receivers of all sizes, most of whom are off-rail, are treated deferentially by producers' sales forces due to the high profit and high growth rate of the commodity. In one sector rail has an advantage due to special equipment, high capacity. Warehousing is increasing in importance. Sometimes rail is used, plant to warehouse, sometimes not.

**Conclusions** — Rates are not the most important answer on this commodity. Major factors in the rails' poor competitive showing are: (1) damage, (2) undependable service (3) the absence of knowledge by the receivers of the possible advantages of rail service in their operations and (4) some lack of knowledge by the shippers of successful packaging techniques.

**Indicated Railroad Action** — (a) Low-profit rates at low minima, continuous incentives. (b) Different rate treatment should apply for different equipment. Short haul rates could show substantial margins in some cases. (c) A sales campaign to teach safe packaging to the shipper, promote equalization of freight charges and convert shippers and receivers to bulk handling.

# Editors Afield

**The Hague, Holland** — Railroads here in The Netherlands look like an American passenger man's dream of Heaven. There are faces in the windows; sometimes, in fact, lots of faces in each window. I have, to be sure, ridden some trains which had plenty of empty seats, especially in the first-class sections. But I've ridden, and seen, others that more nearly resembled a New York subway express at rush hour.

The subway comparison is an apt one, because schedules aren't far off subway headway. Every important city in The Netherlands has a direct, or directly connecting, train to every other important city at least once an hour from early morning till late at night. On some lines — The Hague-Amsterdam, for example — service is half-hourly. And in a few cases, and at certain times, it's even more frequent. So if you miss one train, there'll be another along soon. But if you have to catch a specific train, be on time, because it will be.

What impress me most, however, is the lengths to which the Nederlandsche Spoorwegen goes to make things easy for passengers. Even a *buitenlander* (foreigner) who knows no Dutch can hardly go wrong. Every station I've seen so far has a complete system timetable prominently posted, with the local city underlined in red wherever it appears. In addition, trains to other major cities or principal junction points are listed, by chronological departure time and platform number, on circus-billboard-size posters. Each platform has one or more hand-set clocks showing departure time and destination of the next train. The trains themselves all carry destination signs. If all that fails, ask anyone in a railroad uniform. Chances are he speaks some English, but even if he doesn't he will, somehow, manage to understand you, and make you understand him — and do it with a courteous patience that raises your opinion of Holland a notch higher.

Some trains, especially on longer runs, are locomotive-hauled. After all, NS officers apparently reason, we need locomotives for freight at night, so why not keep them busy moving passengers during the day? But most short-distance passenger service is handled by electric (or diesel) cars, or trainsets of from two to four cars. The latter can be, and often are, coupled together as necessary to make trains of up to 12 cars — a maximum determined chiefly by station platform lengths.

For Dutch conditions, at least, it seems to be a highly efficient arrangement. You may, for example, leave Utrecht — The Netherlands' equivalent of the Long Island's Jamaica — on an eight-car train made up of two four-car sets, one bound for Rotterdam, one for The Hague. The separation takes place at Gouda; requires five minutes or less from arrival of one train to departure of two.

Whether it's one car or 12, you will look in vain for a second man in the cab on these trainset combinations. One man, in other words, is solely responsible for the safety of perhaps 1,200 or more people under conditions of extreme traffic density.

Speaking of one-man operations, the full diner operated by the Wagons-Lits company on the Hook of Holland-Amsterdam morning express has a one-man crew. He's steward, waiter, cook, cashier—and probably dishwasher as well. On the morning I rode it most of the patrons were, to be sure, not eating a full breakfast — just observing the nearly sacred Dutch ritual of "morning coffee." Even so, he worked like a Trojan — and it made me wonder what would happen if somebody dared suggest such a scheme in the U. S.

Brussels North station has a novel —to me—way of showing the consist of principal trains leaving each of its platforms. Metal plates, each about two inches long, and cut to the approximate silhouette of a locomotive, baggage car, coach or diner, are arranged in appropriate order on horizontal racks inside a glass case. With each plate numbered to correspond to the car it represents, and each "train" of plates identified by train number and departure time, it's easy enough to know just where the car you want will be located when the real train pulls in.

Riding from Harwich to London, even on a morning too Englishly foggy for keen observation, gives the impression that "modernization" of British railways is by no means limited to talk. There seems to be plenty of action, if the number of slow orders at places where work is in progress can be considered a reliable criterion.

— **Gardner C. Hudson**

## A MESSAGE TO OUR SHIPPERS AND RECEIVERS:

# "SOUTHERN'S ACCENT IS ON YOU!"

MARK IT WELL! Today on our railroad, as never before, *Southern's accent is on you!*

In recent years, we have spent well over 500 million dollars and made many bold, imaginative moves to improve, diversify and extend our freight service and facilities. One thought has been uppermost – to give you the kind of rail freight transportation *you* want, at a price just as low as we can make it and still return a fair profit to us.

This emphasis on *you*, our shippers and receivers, is resulting in rail service *tailor-made to the specific needs* of industry and individuals.

Containerized freight-piggyback-service . . . freight cars custom-designed and special-built . . . electronic yards . . . ribbon rail . . . centralized traffic control . . . microwave communications systems . . . all these are indicative of the giant strides taken to give

you better rail service. But they tell only part of the story!

To assure the closest possible coordination of Southern's service and sales functions, we have created the new post of Executive Vice-President with jurisdiction over our Operating and Traffic Departments. To give faster, more effective action on pricing matters, we have consolidated our rates and divisions offices. And to make available to eligible customers the advantages of more time in which to pay freight bills, we have liberalized credit terms on carload freight.

All of this is the prologue. More is to come! Because now, more than ever, Southern is accenting the needs of the shippers and the receivers it serves.

Try us and see if you don't agree that *Southern's accent is on you!*

# SOUTHERN RAILWAY SYSTEM

 (Continued from page 15)

transportation. Lockheed Aircraft Corp.—California Division, Burbank, Calif., adds: "There is an overwhelming need for general recognition that railroads be permitted to exercise managerial functions with fewer restrictions."

Typical of those stressing the importance of minimizing the possibility of strikes is Ernest A. Eddings, traffic manager, Strathmore Paper Co., West Springfield, Mass. "I certainly believe if there was some study given to minimize the chances of transport strikes some of the other items would fall into line and could well be worked out by management of the operating railroads involved," he writes.

Among those who placed the matter of depreciation rates highest on their list is Lloyd W. Gragg, general traffic manager, Kaiser Gypsum, Oakland, Calif. He says: "Revised depreciation rates and/or establishment of construction reserve funds would not only be of great benefit to the carriers but would provide a 'shot in the arm' for a general economic recovery."

The commuter problem concerns Paul E. McBride, transportation manager of the Greater Boston (Mass.) Chamber of Commerce. Mr. McBride believes that "the most important domestic transportation problem is the daily movement of people between their jobs in large cities and their homes in suburban areas. The problem of financing solutions to the commuter transportation problem is the most critical one."

### More Recommendations

Other suggestions include:

- Action to eliminate "gray area" trucking.
- A clarification of Section 15a(3) of the Interstate Commerce Act.

Since Section 15a(3) "supposedly eliminates the 'umbrella principle'," writes Alfred S. Daviau, traffic manager, The Mennen Co., Morristown, N. J., "it is important to consider this when rates are developed by various modes of transportation. Lately, however, I see this principle 'creeping' back, even though the law reads to the contrary."

- Extension of regulation to all carriers.

"Let's regulate all transportation," suggests W. J. La Luzerne, Belgian consul, Green Bay, Wis. "There has been too much leeway and discrimination between all forms, still leaving things 'free for all'."

- Clarification and complete enforcement of laws pertaining to for-hire carriage.
- Legislation to discontinue the buy-and-sell operations of so-called "private carriers."

John J. Sheehan, traffic manager of C. C. Moore & Co., Engineers, San Francisco, Calif., urges more government support for railroads. Mr. Sheehan asks that "amalgamations, eliminations and deteriorations of rail services" be stopped "through every possible government support.

"By making the principal banks, railroads, and other industrial giants stronger by consolidations and thus eliminating smaller companies," he warns, "the competitive way of life is quickly changing whether we realize it or not."

Eugene Landis, director of transportation of International Minerals & Chemical Corp., believes that a logical first step would be "a Department of Transportation with a cabinet status . . . Transportation is too important a subject to be relegated or subordinated . . . There is absolutely no reason why there should not be a Secretary of Transportation to be on the lookout for the improvement and betterment of transportation. Once this is done, perhaps, some of the problems of transportation can be given their proper place in any agenda in Washington."

Joseph C. Kraft, assistant traffic manager, J. M. Huber Corp., New York City, asks for "much more efficiency by responsible railroad management and no falling back on tax-exemption and public dole."

R. G. Scearce, traffic manager of the Apple Growers Association, Hood River, Ore., suggests that future changes in commerce will perhaps alter "our entire concept of transportation. Therefore, why waste time on the above subjects that will be eliminated before any conclusions can be determined."

# Carloading Upturn Seems Ahead

A slightly-better-than-seasonal increase in loadings of revenue freight seems to be ahead.

Within recent weeks, evidence has appeared to indicate that the low point of the recession has been reached. This statement is based on an accumulation of various kinds of data. However, the data involved are usually reliable indicators of the trend of the economy.

Here are some of the signs seeming to point to better days ahead:

- For two consecutive months the seasonally adjusted annual rate of housing starts has improved considerably over the previous month. (The February rate, however, was about 16% below that of February 1960). Plywood producers, noticing some improvement in housing construction, are raising prices.
- In February, the Federal Reserve Board's index of industrial production, seasonally adjusted, held at almost the January level. This, it is hoped, ended a rather precipitate decline of six months' duration.
- Insured employment, in the weeks ended February 25 and March 4, declined from the levels of the preceding week. Those two declines followed week-to-week increases in insured employment which had lasted for five months. Also, new claims for unemployment insurance fell, during the week of March 11, from the level of the previous week.
- Paperboard orders, on a seasonally adjusted annual basis, rose by 9% between December 1960 and February 1961. March orders are said to indicate that the upsurge is continuing. (Paperboard orders are considered to be a sensitive indicator of the future course of industrial production.)
- The general trend of steel production for the past few weeks has been ever-so-gently upward.
- Automobile sales in the last several weeks have improved substantially. Following some success in clearing out the inventory of used cars, automobile manufacturers have become mildly optimistic. Auto makers are now scheduling an 18% increase in output for April.
- The stock market, frequently a harbinger of economic conditions, has been dominated by bulls rather than bears, with the volume of transactions far above normal.
- Accelerated government spending should begin to take effect within the next 30 days.

On top of this, carloadings themselves have been improving somewhat. Piggyback loadings, at the end of this year's ninth week, had pulled up about even with last year's. Continued moderate improvement in TOFC loadings seems to be in the wind.

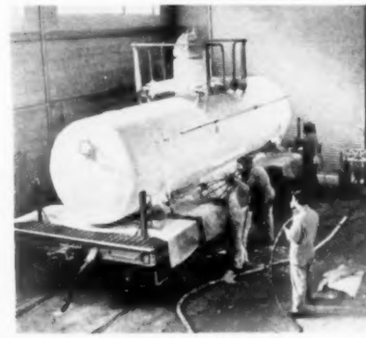
# NEW PRODUCTS REPORT

## Aluminum Container

Kaiser Nest-A-Bin, a re-usable, aluminum container, disassembles into halves that can be nested to reduce return shipping space. Nest-A-Bins for liquids come in 440, 550, or 660-gallon capacity; granular models have capacities of 54 or 70 cubic feet. All models have 52½-in. diameter cylindrical units joined by clamp ring and seal; a 22½-in. discharge opening and 70-degree cone angle. *Central Container Corp., Thrall Car Mfg. Co., Dept. RA, Chicago Heights, Ill.*

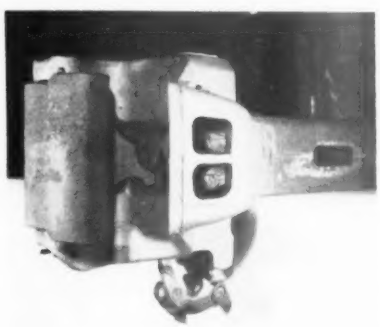
## Spring 'Shok' Device

The Model L 177232-36 Liquid Spring Shok is designed for a full stop, without impact, of a fully loaded freight car or missile rail car operating at up to 12 mph. At 18-in. travel, rated energy absorption is 460,000 ft-lb. Preload spring force is 16,000 lb with an end load of 32,000 lb for restoring position. Volume is 861 cu in.; compressible liquid capacity, 3.83 gallons. *Taylor Devices, Inc., Dept. RA, 200 Michigan Ave., North Tonawanda, N.Y.*



## Foam Tank-Car Jacket

Two 4,000-gallon tank cars sprayed with a 4-in.-thick jacket of rigid urethane foam are being service tested. About 575 lb of 2½-lb-density foam was used. Insulation and steel outer jackets weigh about 6 lb per sq ft; urethane jacket, 1 lb. Damaged foam can be cut away and replaced by spraying. Cars will carry urea-formaldehyde fertilizer at about 77 deg F. *Allied Chemical Corp., National Aniline Div., Dept. RA, 40 Rector St., New York 6.*



## Freight-Car Coupler

The Type E freight car coupler is now being produced in McConaloy, a high-tensile, nickel-chrome-moly steel developed by the manufacturer. In addition to high-tensile and high-yield characteristics, these couplers will withstand greater impact; remain operational even under the most severe climatic conditions; and reduce equipment maintenance costs. *McConway & Torley Corp., Division of Ellicott Machine Corp. of Baltimore, Dept. RA, Pittsburgh 1, Pa.*

## Reefer Insulation

Because of its compactness, Foamthane is said to give added usable space in refrigerated trucks and railroad cars. The foam, in rigid slabs, is said to have approximately the same density as polystyrene foam—from 1.6 to 2 lb per cu ft—but approximately twice the insulating value. It has a K factor (between —330 and +200 deg F) averaging .14, compared with polystyrene's .28. *Pittsburgh Corning Corp., Dept. RA, 1 Gateway Center, Pittsburgh 22.*

## Car Door Puller

The ratchet-type car door puller has a special clevis hook and eyebolt assembly which permits it to be fastened at right angles to box-car cleats, breast beams, or door tracks. The large model has 30 ft of steel cable; the smaller, 20 ft. Weights are 13 lb and 10 lb, respectively. Both models have pulling capacities of 3,000 lb when used with double lines and 1,500 lb capacity with single-line operation. *Beebe Bros. Manufacturing Co., Dept. RA, Seattle, Wash.*

# Letters from Readers

***Doyle Aide Demurs***

Worcester, Mass.

To the Editor:

The editorial in your February 27 issue [p. 58] contained statements about the Doyle report which appear to reflect serious misconceptions about that report's recommendations.

It is erroneous to describe the Doyle report as encyclopedic, if this term is used to connote treatment of many topics without integration. Your criticism of the rate recommendations of the report includes the following:

"You cannot make competitive rates which will allocate traffic economically unless you include compensatory 'user charges' on trucks and barges in computing their costs. Also, if you hold common carrier rates up to level of 'long-run marginal costs,' how will common carriers be able to compete with private carriers?"

It is not by accident that the Doyle report contains chapters on user charges. On page 207, this statement—

"A reasonably developed user charge program, accompanied by a cost-related rate structure for all modes of transport as recommended elsewhere in this Report, will strengthen navigational development in those areas where it demonstrably is the low cost mode. Conversely . . . such a program, combined with cost-related pricing, will eliminate wasteful expenditures of public funds for navigational projects where water transport demonstrably is not the low-cost mode. . . Because of the grave concern by waterway users as to possible selective price-cutting activities by the railroads once user charges have been established, we believe that the user charge program should not start until the Congress has directed the proposed Federal Transportation Commission (or other regulatory agency) to initiate cost-related policies for all modes of transport in accordance with the specific suggestions made in Part VI, Chapter 6 of this study."

Also on page 651, the report says—

"The Congress should provide a suitable highway user charge system to insure that each class of vehicles pays its proportionate share of highway costs."

It should be apparent that the Doyle report emphasizes the need for compensatory "user charges" on trucks and barges in computing their costs and, in this regard, your editorial criticism seems to be misplaced.

The Doyle report also takes into account difficulties created by competition between private carriers and common carriers. You state categorically that private carriers will invariably use their short-term direct costs in their competition and will lick any other carrier who sets his floor at a higher level. Such a flat-footed assertion is questionable, not necessarily in principle, but in terms of its practical importance in ordering transportation affairs.

Admittedly, the problem of competition from private carriers is a difficult one, but it has been considered at some length in the Doyle report and specifically in connection with long-run marginal cost pricing recommendations. Chapter 3, Part VII contains a discussion of the private carriage of freight and makes recommendations designed to insure that private carriage be restricted to its legitimate operation. If this is done, and if common carriers take measures to improve the quality and pricing of their service along lines recommended elsewhere in the Doyle report, there is reason to believe that long-run marginal cost pricing will not prevent common carriers from playing a role in transportation commensurate with their relative advantages. . . .

The Doyle report has the merit of an integrated and comprehensive view of transportation problems. Its recommendations are designed to suggest methods of dealing with these problems in a consistent and effective manner. . . .

*Howard W. Nicholson*
*Department of Economics & Sociology*
*Clark University*

[Professor Nicholson was one of the group associated with General Doyle in the preparation of the latter's transportation report to the Senate Committee on Interstate Commerce. Our use of the term "encyclopedic" implied no criticism. The report, in our opinion, is on the whole a constructive contribution to the understanding of our complex transportation problems—and possible solutions to them.

Some aspects of the report, however, are dismaying. One such is the failure of those who prepared the report to recognize that there is a transportation crisis confronting the country right now —not one which can await the slow-paced remedial measures the report recommends. Another disconcerting phase of the report is its utterly impractical approach to the problem of inter-mode competitive rate-making.

As to the leisurely pace of corrective measures designed to provide a greater degree of equity in the financing of fixed plant installations of the several forms of transportation, the report proposes (*inter alia*) to assess compensatory user charges for use of government transportation property—e.g., payments by waterway users. It also recommends that railroads be excused from property taxes. But it would apply these remedies on a 10-year installment plan. Railroads would thus get something intended to be 10% of competitive financial equality the first year, 20% the next—and so on. It would be more realistic, in view of present critical conditions on the railroads, if the 10-year plan were made retroactive back to 1951 instead of prospective for 1971. Justice delayed is justice denied.

The report would excuse all the capital expenditures made to date on inland waterways, in computing user payments by barge operators (and, presumably, also, in computing the costs of barge service for rate-making purposes). If existing capital expenditures on waterways are to be omitted in ascertaining costs of barge operation for rate-making purposes, why should not existing capital investment in railroads also be excluded from cost computations for regulating railroads' competitive rates?

The Doyle report wants to regulate competitive rates on the basis of "long-run marginal costs"—but the authors realize that it will be years before such costs can be accurately computed. As an interim measure, they want to use "fully distributed costs" as a criterion by which to judge rates. Such a suggestion is completely unacceptable, since present "fully distributed costs" are (1) overloaded as far as railroads are concerned, and (2) grossly underloaded for transportation agencies using public property as a place of business.

In an area where there is so little precise information as in that of comparative transportation costs, it is presumptuous for government to move into that area coercively. No good doctor would use physical force to compel a patient to swallow medicine containing dangerous drugs—if the prescription were known to have been compounded from second-rate ingredients by a poorly equipped pharmacist.

In many respects, the Doyle people have done an excellent job—but in the vastly important area of competitive pricing, their recommendations invite suspicion, either that they are naively pedantic or subtly partisan. In their duty to be watchful of the nation's welfare, is it not strange that they should seem to be more concerned about the economic well-being of waterway operations which serve only a few commodities and only those points with heavy traffic concentration, than they are about railroads, which serve all commodities everywhere?—Editor]

## Shippers Along the Coast Line

W. J. (Jack) Greer, founder and president of Texize Chemicals, Inc., attributes the remarkable growth of his company to the quality of all of the hundreds of Texize products. He's a hard-working young executive who maintains that the quality of any product can always be better.

# a torrent of texize for home and industry

**Texize Chemicals, Inc. Greenville, S. C.**

Texize Chemicals, Inc., of Greenville, S. C., manufactures many products for homes and industries in 27 states, the District of Columbia, and abroad.

Being as quality conscious as it is diversified, Texize naturally wants quality transportation — the kind of fast, dependable shipping service that Coast Line offers. If *you'd* like to find out what specialized shipping really means just give us a call.

**"Thanks for Using Coast Line"**

ATLANTIC COAST LINE RAILROAD

*...serving the Southeast Coastal 6*

# PEOPLE IN THE NEWS

**BANGOR & AROOSTOOK.—Leslie W. Wentworth,** freight traffic manager, appointed general freight traffic manager, Bangor, Me. Mr. Wentworth has been acting head of the traffic department since the resignation last year of **T. J. Clark,** vice president—traffic.

**BURLINGTON.—A. R. MacDonald,** superintendent of terminals, Kansas City, Mo., appointed acting superintendent, Lincoln division, Lincoln, Neb., replacing **J. C. Grisinger,** furloughed for special assignment to the AAR. **S. B. McNaghten,** assistant superintendent, Omaha, Neb., succeeds Mr. MacDonald, and in turn is succeeded by **J. G. Edwards,** trainmaster, St. Joseph, Mo.

**CANADIAN NATIONAL.—William Cameron,** electrical engineer, Toronto, Ont., appointed mechanical and electrical engineer, Atlantic region, Moncton, N. B.

**Warren H. MacKenzie,** division freight agent, Halifax, N. S., appointed branch manager, freight sales, Halifax.

**F. M. Crocker,** district passenger agent, Moncton, appointed the first passenger promotion officer of the Atlantic region.

**CANADIAN PACIFIC.—L. R. Smith** named assistant general manager, Prairie Region, Winnipeg, Man.

**Harry Arkle,** European general manager, London, England, appointed managing director, Europe, at London.

**Daniel T. Sweeney** appointed to the newly created post of assistant foreign freight agent, Detroit. He was formerly chief clerk, foreign freight department.

**W. A. Smith** named acting engineer of track, Montreal, succeeding **J. M. Bentham,** temporarily assigned to special duties.

**CHICAGO NORTH SHORE & MILWAUKEE.—Henry Bykirk,** assistant superintendent of transportation, appointed superintendent of transportation, to succeed the late **E. J. Garrity.**

**ERIE-LACKAWANNA.—Eugene J. Dean,** assistant vice president, New York, retires March 31, after more than 40 years service with the former Erie.

**FRISCO.—R. R. French** appointed chief supervisor transportation, Springfield, Mo., succeeding **H. F. Lee,** who retires April 1. **E. C. Reeve** named supervisor transportation, Springfield.

**INTERSTATE COMMERCE COMMISSION.—Alvin L. Corbin** appointed assistant director, Bureau of Rates and Practices, succeeding **James J. Williams,** who retired March 9. Mr. Corbin was senior examiner on the staff of Commissioner Herring until March 9 when he became acting assistant director.

**JERSEY CENTRAL.—Edward P. Seiwert,** general western freight agent, Chicago, named to the new post of manager of marketing research, 143 Liberty Street, New York. **John M. Gehring,** general agent, Boston, Mass., succeeds Mr. Seiwert at Chicago. **Francis T. Burns, Jr.,** traveling freight agent, Albany, N. Y., succeeds Mr. Gehring at Boston.

**LONG ISLAND.—Charles H. Stoutenburgh,** general real estate agent, promoted to manager of property and purchases, succeeding **Norman J. Aydelotte,** named deputy general manager. In his new capacity, Mr. Aydelotte, who plans to retire in a couple of months, will be free to complete the final transfer of the purchasing operations from Philadelphia, Pa., to Jamaica, N. Y.

**MILWAUKEE.—Cleo C. Burns,** general agent, passenger department, New York, transferred to Milwaukee, Wis., succeeding **Carl F. Dahnke,** retired. Mr. Burns' successor is **Roland E. Brazda,** district passenger agent, New York.

**MISSOURI PACIFIC.—G. W. Carleton,** general agent, Wichita, Kan., appointed executive general agent, St. Joseph, Mo., succeeding **Harold E. Roll,** who retires March 31. Mr. Carleton's successor is **Robert D. Pierce, Jr.,** general agent, Topeka, Kan., who in turn is replaced by **Edward L. Hoover.**

**H. E. Mack, Jr.,** manager of mail and express traffic, promoted to general passenger traffic manager, succeeding **Roy J. McDermott,** retiring (RA, March 30, p. 50). **E. Earl Spencer,** assistant general passenger traffic manager, appointed passenger traffic manager.

**NEW HAVEN.—W. H. Gustafson,** assistant manager baggage, mail and express traffic, Boston, Mass., promoted to manager baggage, mail and express traffic there, succeeding **E. J. Grimes, Jr.,** named special assistant—mail traffic, Boston. **R. Devlin** succeeds Mr. Gustafson.

**PENNSYLVANIA.—Robert E. Blosser,** superintendent transportation, New York region, New York, transferred to the Northern region at Buffalo, N. Y., succeeding **E. Perry Adals,** who replaces Mr. Blosser.

**READING.—J. H. Miller, Jr.,** appointed to the newly created position of manager, rail-highway trailer service, Philadelphia, Pa., Abolished position of manager, trailer-on-flat-car, formerly held by Mr. Miller. **Thomas J. Fitzpatrick,** foreign freight representative, appointed to the newly created position of assistant manager, rail-highway trailer service, Philadelphia. Abolished position of assistant general freight agent, formerly held by **L. C. Bosler, Jr.,** furloughed at his own request. Mr. Fitzpatrick also named general freight agent, Reading Transportation Co.

**TEXAS & NEW ORLEANS.—P. B. Rice** appointed master mechanic, Lafayette and Houston divisions, Houston. **E. I. Norman** named master mechanic, San Antonio and Dallas and Austin divisions, San Antonio.

## Supply Trade

**Thomas Y. Gehr** has been appointed general sales manager, **Matisa Equipment Corp.** and **Matisa Railweld, Inc.** at 1020 Washington Ave., Chicago Heights, Ill. Mr. Gehr was formerly manager, Track Equipment Division, Pullman-Standard at Hammond, Ind.

**Leroy P. Kennedy, Jr.,** has been named vice president of **Capitol Chemical Co.,** Washington, D. C. Mr. Kennedy was formerly associated with Alco Products.

H. E. Mack, Jr.
MP

Thomas Y. Gehr
Matisa

**Chester H. Wright** has been appointed manager of **Central Container Co.,** a division of **Thrall Car Manufacturing Co.** Mr. Wright, formerly district sales manager, **General Steel Castings Corp.,** will supervise distribution of Kaiser Nest-A-Bin bulk container systems throughout nine midwestern states.

**Robert P. Messimer,** sales engineer, **Symington Wayne Corp.,** at New York, has been appointed district sales manager, Symington division, at Chicago.

## Industrial Traffic

**Tom Donis** has been appointed traffic assistant, **Grain Processing Corp.** and **Kent Feeds, Inc.,** Muscatine, Iowa. Mr. Donis was formerly chief clerk, Davenport, Iowa, division office, **Baltimore & Ohio.**

**Bern W. Parmeter** has been named regional traffic manager of **L. B. Foster Co.** at Houston, Tex. He will direct traffic operations for the Houston, Lubbock, Chicago and Los Angeles offices, as well as the new San Francisco branch soon to open.

**Richard M. Boyd** has been appointed to the newly created post of director of traffic and transportation for **Pittsburgh Plate Glass Co.** The new department combines the functions and personnel of the predecessor groups—the general traffic department of the paint, glass, merchandising, and fiber glass divisions, of which Mr. Boyd was general traffic manager, and the general traffic department, Columbia-Southern Chemical division, of which **Frank G. Moore,** who retired Feb. 1, was general traffic manager.

### OBITUARY

**E. J. Garrity,** 54, superintendent of transportation, **Chicago North Shore & Milwaukee,** died Feb. 8 at Waukegan, Ill.

**Leon O. Head,** 81, who retired in 1949 as president of the **Railway Express Agency** (now REA Express), died March 15 at his home in New York. At the time of his death he was vice president of the Manhattan Life Insurance Co., New York.

**Harry C. Oviatt,** 89, retired general mechanical superintendent, **New Haven,** died March 10 in a nursing home in Ridgefield, Conn.

**John Albert Droege,** 100, who retired in November 1931 as vice president and general manager of the **New Haven,** died March 5 at Orlando, Fla.

**Budd H. Vardaman,** sales and service engineer, **American Oil Co.,** died Feb. 21 at Fort Wayne, Ind.

# Shippers' Guide

## Canadian National

*. . . New Piggyback Service*

Has initiated Plan I piggyback service between Maritime cities and major points across Canada. Formerly, CN handled its own trailers exclusively. Now CN will accept the trailers of common carriers at Saint John, Moncton, and Halifax for transportation to Quebec, Montreal, Ottawa, Kingston, Belleville, Toronto, Hamilton, Windsor, Port Arthur, Fort William, Brandon, Winnipeg, Regina, Saskatoon, Calgary, Edmonton, and Vancouver.

## Canadian Pacific

*. . . Freight Service Speed-Up*

Has cut 24 hours off the running time from Calgary, Alta., to Toronto and Montreal. The new "day-saver" service means that consignees in the latter two cities will be provided with fourth-morning placements of carload traffic. This eastbound speed-up follows closely the recent cutting of a full day in service from Toronto and Montreal to points in western Canada.

## Erie-Lackawanna

*. . . Second Morning Chicago-Boston*

Has placed in service a new freight train to provide western shippers with one-day-faster delivery from Chicago into New England. The new train, NE-74, departs Chicago at 8:30 a.m., is scheduled to arrive Albany at 12:15 a.m. and Boston at 6 a.m. the second day.

## Illinois Central

*. . . New Piggyback Facilities*

Has completed (1) a piggyback ramp at Clinton, Ill., which will serve Clinton, Bloomington, Decatur, and Lincoln, Ill., and (2) a temporary facility at Jackson, Miss., for handling automobiles in piggyback service, pending completion of a permanent facility there for piggyback traffic as well as autos moving in multi-level cars. The piggyback facility at East St. Louis, Ill., is being moved to a new location and modernized.

## Santa Fe

*. . . LCL Changes*

Has abolished the following LCL cars: Chicago to Fresno, Calif.; Chicago to Moon, Ill.; Chicago to Pekin, Ill.; Chicago to San Francisco, Calif. LCL cars changed to tri-weekly: Chicago to Clovis, N. M.; Chicago to Streator, Ill.; Chicago to Galesburg, Ill. LCL cars established: Chicago to Chillicothe, Ill.

**OLD-TIMERS AND NEW-TIMERS**—George O'Brien writes from Arequipa, Peru, to question whether the growing practice of recruiting college graduates for special training, and early promotion to supervisory jobs, is the best way of providing a supply of junior officers. He worked on a major U. S. railroad back in the twenties and — while he's not acquainted with the present incumbents on his old railroad — he's inclined to believe they'd have a time surpassing the old-timers he recalls from his youth. He believes character is the main ingredient for success in important positions and that it takes more than a brief apprenticeship to establish the candidate's possession of this attribute.

I never have subscribed to any one method of selecting officer candidates, to the exclusion of all other methods. I do know, though, that nowadays you either go into the recruiting and selection of officers systematically, or other companies are likely to get the pick of the crop. There is far more competition for talent today (because there are so many more big industries) than there was in the twenties.

**TRUCKS WEAKENED?**—I've been reading about the resistance the truck operators are putting up to paying the road use fees recommended by President Kennedy; and how such fees would seriously injure them in competing with railroads.

Truck people say the maximum fees for the biggest 5-axle outfit would amount to somewhere just under \$3,600. A combination hauling 30 tons 200 miles a day for 300 days would produce 1,800,000 ton-miles in a year. Fees of \$3,600 on such a vehicle would figure out at 2 mills per ton-mile. If such a modest levy is going to be a lethal burden to trucking, then I must have overestimated that industry's virility.

**SHORT LINES ON THE JOB**—I've just received from the Short Line Association a 140-page booklet which is a complete guide to the 87th Congress — members with their photos, district boundaries, political affiliation, committee assignments. Now that I know who my representatives are, it's up to me to let them know what I'm interested in.

**'CROSS-SUBSIDIZATION'**—This is a useful term being used increasingly in discussions of railway policy in Britain. What it means is "the use of money from profitable activities to offset losses of unprofitable ones." The definition is that by Professor Gilbert Walker of the University of Birmingham (England) and to the persistence of this practice (in spite of legal freedom in rate-making British railways enjoy) he attributes the railways' continuing deficits.

It was the old theory that railroads should be required to "take the lean along with the fat" — but now somebody else has got the cream and left the railroads with the skim milk.

# Market Outlook

## Carloadings Rise 2.8% Above Previous Week's

Loadings of revenue freight in the week ended March 18 totaled 506,583 cars, the Association of American Railroads announced on March 23. This was an increase of 14,001 cars, or 2.8%, compared with the previous week; a decrease of 74,911 cars, or 12.9%, compared with the corresponding week last year; and a decrease of 97,302 cars, or 16.1%, compared with the equivalent 1959 week.

Loadings of revenue freight for the week ended March 11 totaled 492,582 cars; the summary, compiled by the Car Service Division, AAR, follows:

REVENUE FREIGHT CARLOADINGS
For the week ended Saturday, March 11

| District | 1961 | 1960 | 1959 |
|---|---|---|---|
| Eastern | 73,647 | 89,045 | 90,401 |
| Allegheny | 78,847 | 106,427 | 111,283 |
| Pocahontas | 37,891 | 44,975 | 49,410 |
| Southern | 102,597 | 101,538 | 114,323 |
| Northwestern | 53,418 | 61,443 | 65,105 |
| Central Western | 103,117 | 108,843 | 115,793 |
| Southwestern | 46,065 | 47,984 | 49,865 |
| Total Western Districts | 202,600 | 218,270 | 230,763 |
| Total All Roads | 492,582 | 560,256 | 596,180 |
| Commodities: | | | |
| Grain and grain products | 52,679 | 46,732 | 52,413 |
| Livestock | 3,301 | 4,455 | 4,552 |
| Coal | 77,788 | 101,201 | 102,112 |
| Coke | 5,303 | 12,104 | 10,692 |
| Forest Products | 34,945 | 37,688 | 39,029 |
| Ore | 14,809 | 18,939 | 18,049 |
| Merchandise l.c.l. | 31,862 | 37,846 | 43,655 |
| Miscellaneous | 271,895 | 301,291 | 325,678 |
| March 11 | 492,582 | 560,256 | 596,180 |
| March 4 | 501,121 | 557,999 | 595,475 |
| Feb. 25 | 468,482 | 553,882 | 575,334 |
| Feb. 18 | 502,334 | 570,099 | 583,741 |
| Feb. 11 | 486,347 | 580,150 | 567,188 |
| Cumulative total, 10 weeks | 4,870,351 | 5,796,563 | 5,758,884 |

**PIGGYBACK CARLOADINGS.**—U. S. piggyback loadings for the week ended March 11 totaled 10,969 cars, compared with 11,075 for the corresponding 1960 week. Loadings for 1961 up to March 11 totaled 101,157 cars, compared with 101,218 for the corresponding period of 1960.

**IN CANADA.**—Carloadings for the seven-day period ended March 7 totaled 58,237 cars, compared with 57,020 for the previous seven-day period, according to the Dominion Bureau of Statistics.

| | Revenue Cars Loaded | Total Cars Rec'd from Connections |
|---|---|---|
| Totals for Canada | | |
| March 7, 1961 | 58,237 | 25,816 |
| March 7, 1960 | 64,993 | 29,436 |
| Cumulative Totals | | |
| March 7, 1961 | 543,080 | 234,353 |
| March 7, 1960 | 609,604 | 281,299 |

# New Equipment

### FREIGHT-TRAIN CARS

► *Maine Central.*—Has announced an equipment modernization program (contingent on passage of a tax reform bill now before the Maine legislature) calling for the purchase of "at least 200 50-ft box cars each year for four and perhaps five years," all to be equipped with roller bearings and special loading devices; purchase of additional piggyback cars; conversion of gondolas for limerock service; and acquisition of 20 bulkhead type sideless pulpwood rack cars. Maine Central President E. Spencer Miller said the program depends upon whether the legislature acts to reform Maine's present gross receipt tax on railroads.

### PASSENGER-TRAIN CARS

► *Santa Fe.*—Equipment acquisition program for 1961 will include 25 baggage cars, in addition to 1,755 freight cars previously reported (RA, Jan. 2, p. 31). Total capital improvements budget for the year will approximate $65 million, of which $37.9 million will be for equipment.

# New Facilities

► *Delaware & Hudson.*—Will lay 36 miles of welded rail during 1961 at a cost of more than $500,000. Work will be performed by the road's maintenance of way employees.

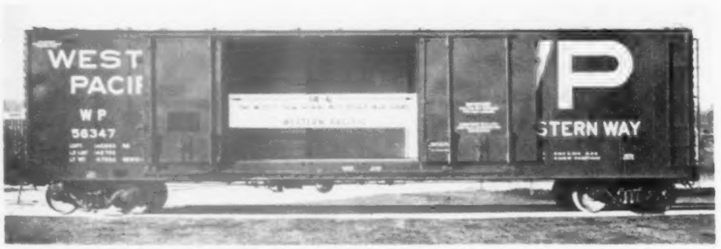
► *Louisville & Nashville.*—Authorized expenditure of $273,300 for installation of two-way radios in 26 locomotives and 40 cabooses, and for purchase of 80 walkie talkies for trackside use.

► *Seaboard.*—Has begun installation of CTC between Greenwood, S.C., and Monroe, N.C., 118 miles. Control will be from a machine at Atlanta, Ga., 154 miles from Greenwood.

# Orders & Deliveries

► *Orders Increase.*—Orders were placed in February for 1,536 new freight cars, compared with 1,339 for January. February 1960 orders totaled 3,211. Deliveries in February totaled 1,958, compared with 3,515 in January of this year and 5,052 in February 1960. The backlog of cars on order and undelivered as of March 1, 1961, was 18,429, compared with 18,894 on Feb. 1, 1961, and 46,323 on March 1, 1960.

| TYPE | ORDERED February, 1961 | DELIVERED February, 1961 | UNDELIVERED March 1, 1961 |
|---|---|---|---|
| Box—Plain | 100 | 306 | 4,528 |
| Flat | 0 | 85 | 990 |
| Gondola | 0 | 137 | 4,003 |
| Hopper | 1,012 | 566 | 5,393 |
| Cov. Hopper | 28 | 178 | 839 |
| Refrigerator | 0 | 458 | 1,545 |
| Tank | 196 | 174 | 855 |
| Caboose | 200 | 0 | 200 |
| Other | 0 | 54 | 76 |
| TOTAL | 1,536 | 1,958 | 18,429 |
| Car Builders | 438 | 757 | 4,669 |
| Railroad Shops | 1,098 | 1,201 | 13,760 |




## Car Design Reflects Shipper Requirements

Last year, Western Pacific asked canned goods shippers what they wanted in a box car. The result: this insulated car with a wider door opening protects winter-month shipments from freezing temperatures and at the same time provides more maneuvering room in the door area for palletized loads and lift-truck methods than ordinary insulated cars. WP has placed in service 50 of these 50-ft, fully insulated cars with 14½-ft door openings—a standard 8-ft plug door plus an auxiliary 6½-ft plug door. The cars, built to shipper-suggested specifications by Pacific Car & Foundry, have the combination door openings staggered to facilitate their alternative use as general service cars.

# 'Make-Work' Rules Assailed

Officers of the AAR last week told the Presidential Railroad Commission that the railroads "desperately need relief from wasteful work rules that peg their costs and impair their ability to compete for traffic," and that European railroads are rapidly catching up with American lines in technological know-how because "make-work" rules have slowed U.S. railroad progress.

The AAR officers were J. Elmer Monroe, vice president of the association and director of its Bureau of Railway Economics, and William M. Keller, vice president—research. They were the principal management witnesses at the two public-hearing sessions which the commission held last week.

Secretary of Labor Goldberg also had something to say about the work-rules controversy last week. He made a speech in which he asked if the time hadn't come for management to "tone down its featherbedding propaganda and talk about real problems of the railroad industry"—if the time hadn't come for labor to work with management on the development of a sound transportation policy. The secretary went on to say he hopes cooperation "to solve the problems of the industry" will come out of the work of the Presidential commission.

It was AAR Vice President Monroe who warned of the railroads' need for relief. He said present work rules prevent more efficient operations. He also said that continuation of recent declines in traffic and earnings would be "disastrous to the railroads, to their employees and to the public which needs [railroad] services . . ."

Repeated increases in wages and fringe benefits have slowed railroad modernization and kept railroad earnings among the lowest of all industry, Mr. Monroe continued. "Increases in wage rates and employees' supplements, as well as increases in costs of materials and supplies and in taxes, have far outrun increases in revenues and traffic," he went on, adding:

"This process has kept the railroads on a financial tightrope, and has necessitated retrenchments of spending and employment to avoid financial collapse. Even the greatly improved efficiency of the railroads has not been enough to bridge the gap of inflated costs."

The railroad industry must invest $1.5 billion annually in new and improved equipment and facilities to turn the tide of postwar traffic declines, Mr. Monroe contended. This would require earnings sufficient to bring a return of 6% on net investment, he pointed out, adding that this is something the carriers "have not for many years been even close to realizing."

The AAR vice president said the financial difficulties of the railroads will be solved "only if they can regain and hold, by means of reasonable rates and efficient service, a large share of the nation's traffic."

Mr. Keller said the railroads have been unable to make the fullest economical use of existing research and operating know-how, and that this "acts as a deterrent to the development of additional technological improvements." The AAR officer reported that European railroads have been "impressed with the quality of our research work, but few of them have been impressed with its magnitude."

Railroad research projects in Europe outnumber those in this country, Mr. Keller also reported, adding that this is "particularly true" in Russia.

"We still have a lead in the United States, but the gap is closing rapidly," Mr. Keller continued. "If we do not soon change our employee structure so as to make more funds available—not only for the development of new components but for the capital required to put them into practice—we shall soon be following and no longer leading."

In another statement before the commission, the chief management counsel, Howard Neitzert, said "although the diesel revolution temporarilly averted bankruptcy of American railroads, a large part of the fruits of dieselization have never been received by the industry, nor by the public using its services, due to agreements requiring the use of firemen on diesel power."

He presented a brief history of rules requiring firemen which had been prepared by Fred Gurley, former president of the Santa Fe and now a member of that road's executive committee. Mr. Neitzert referred to Mr. Gurley as "father of the diesel revolution."

Secretary of Labor Goldberg's speech referring to management's "featherbedding propaganda" was made at a dinner where he presented the safety award made by the Brotherhood of Locomotive Firemen & Enginemen to the "Locomotive Fireman of 1960." The award, which includes a check for $500, went to Melvin L. Rake, Great Northern fireman, who is credited with having saved cars of that road's "Empire Builder" from being pushed into Puget Sound by a landslide on Dec. 27, 1959.

BLF&E President H. E. Gilbert presided at the dinner, which was attended by many members of Congress, several members of the ICC and other government officials.

## Railway Age Index

**Index to Volume 149, the latest volume of Railway Age, July-December, 1960, is ready for distribution, and copies may be had by those subscribers desiring them. Requests should be addressed to the Circulation Department, Railway Age, Emmett Street, Bristol, Conn. Subscribers who have in previous years made application for the index need not apply again. They will continue to receive it as long as they continue to subscribe.**

# Senators Split on 'Rate Freedom'

**► The Story at a Glance: Two influential, transportation-minded senators disagree sharply on interpretation of the rate-freedom provision of the Transportation Act of 1958. Senator Smathers contends that the provision was aimed at abolishing "umbrella rates." But Senator Magnuson would give more emphasis to that part of the act which instructs the ICC, in rate cases, to consider "the national transportation policy."**

Chairmen of the Senate's Interstate Commerce Committee and its surface transportation subcommittee have different views on how the ICC should interpret the 1958 Transportation Act's rate-freedom provision.

This was pointed up last week at the committee's hearing on President Kennedy's nominations of John W. Bush of Ohio and William H. Tucker of Massachusetts for memberships on the ICC. The committee approved the nominations and prompt confirmation by the Senate was expected.

The parent committee's chairman, Senator Magnuson of Washington, seems to favor emphasis on that part of the rate-freedom provision which requires ICC decisions in competitive-rate cases to reflect "due consideration to the objectives of the national transportation policy."

The subcommittee's chairman, Senator Smathers of Florida, who was the principal Senate sponsor of the 1958 act, wants the Commission to keep its eye on the language which says "rates of a carrier shall not be held up to a particular level to protect the traffic of any other form of transportation."

When Mr. Bush was before the committee, Senator Smathers read the rate-freedom provision (now section 15a(3) of the Interstate Commerce Act) and told the nominee that the subcommittee's thought in writing it was to get away from "umbrella rates." Senator Magnuson said he was "sure" the nominee would agree that rates proposed by one mode of transportation should not be approved if they were "destructive" to another mode. "You can't have destructive rates," the committee chairman added.

In reply, Mr. Bush said only that he had looked over section 15a(3) because he had been getting "many letters from truckers and truckers' wives." They made no specific requests, he said, but asked generally that something be done about competitive rates which have taken business from motor carriers.

Responding to questions from Senator Lausche of Ohio, Mr. Bush said he had received 40 or 50 such letters. While they had the same general tone, he was not prepared to say that they were alike to the point of showing definitely that they had a common source. They came from all over the country. The anti-rate-freedom drive of James R. Hoffa, president of the International Brotherhood of Teamsters, urges members of that union and their wives to write letters to legislators and other public officials concerned with transport rates.

As Senator Lausche reads it, section 15a(3) means that "no protection shall be given to others" when a carrier proposing a competitive rate is otherwise entitled to publish it. And Senator Smathers said his subcommittee felt that the public interest will not usually require maintenance of a competitive mode of transportation which can't "stand on its own feet."

Meanwhile, Chairman Magnuson had said that a "general fault" of the ICC is its practice of deciding each case on the "narrow basis" of its own record. In similar situations, one Commission division goes one way and another goes in a different direction, the chairman continued.

This produces a "patchwork," which doesn't add up to a policy, Senator Magnuson continued. He thinks the Commission should consider how each decision may effect other modes of transport; that it "should shape up a policy into which every case has to fit." The chairman also "deplored" the "regulatory lag" and urged Messrs. Bush and Tucker to do what they could to expedite matters at the Commission.

The committee's ranking minority member, Senator Schoeppel of Kansas, asked questions which put Mr. Bush on record as one who realizes that the ICC is an agency of Congress—not an executive-department agency.

This questioning drew from the nominee a statement that he had no discussion with anyone in the executive department about the ICC chairmanship and the present plan of rotating it annually among the commissioners.

In this connection, there have been proposals that the President be empowered to designate the Commission chairman, as he does heads of some of the other regulatory agencies. Mr. Bush also assured Senator Schoeppel that he would support the rotating plan as a member of the Commission, unless it is changed by action of the Congress.

# Cooler Merger Climate Seen

Railroads may find that the climate for mergers and service abandonments has cooled since the enactment of the 1958 Transportation Act, says Senator Warren G. Magnuson.

Senator Magnuson, chairman of the Senate Interstate & Foreign Commerce Committee, warned last week that the ICC will "be getting pretty tough" on such proposals and will "take a long, hard look" at mergers before determining them to be in the public interest.

"The railroads haven't fared too badly," he said, although he admitted some roads were "having trouble keeping their heads above water."

Speaking before the Western Railway Club in Chicago, Mr. Magnuson said a stable, free-enterprise transportation system requires "equality of treatment between modes in the common carrier field. The common carrier is the heart of a strong transportation system."

Replying to a question concerning Teamster attacks on piggybacking, the senator told a press conference that "anyone has a right to compete. But the use of new technological improvements must be looked at in the light of how they affect other modes. Not to abolish them but maybe to adjust rates."

He also warned railroads that in order to justify piggybacking "you must be sure the rate is compensatory."

The senator called for a reappraisal of the national transportation policy, including a new look at the agencies involved. He said the ICC is "bogged down in its own spider web of complexities." The senator favored a proposal that the President designate chairmen of the regulatory agencies, but declared that there is no need yet for a cabinet rank secretary of transportation.

The 10% tax on passenger fares will be removed on a declining percentage basis, Senator Magnuson predicted.

He also expressed the opinion that most of the urgently needed service abandonments have been accomplished and that further applications will be in the fringe area of public interest.

# GN, NP Reply to Merger Foes

Union opposition to the proposed GN - NP - CB&Q - SP&S consolidation seems to wrap the whole controversial issue of job stabilization up into one neat paradox. By defending the status quo—separate operation of the properties—rail labor leaders are defending, in effect, a way of life that's meant greater job losses in the past five years than merger itself would produce in the five years after the consolidation becomes effective.

This is the picture GN and NP, through a far-reaching public-interest program, are presenting several times a week throughout the Northwest.

In St. Paul, for example, union opposition to consolidation has been hot. Union representatives spoke at length of the jobs that would be cut off and of the consequent losses to the city and its economy. Eventually, the mayor named a special merger study committee (including officers of four brotherhoods)—and recently that committee got the facts on employment from NP's John Haw, special executive representative. Job losses in the six years following merger, he said, would total 858 in St. Paul (including 184 executives, officials and staff assistants) and 1,730 in the entire state of Minnesota. By contrast, he said, the two roads in the past five years have cut forces by 1,360 in St. Paul and 3,754 in the state.

In Montana, where opponents of merger are especially active, the same pattern is becoming clear. NP President Robert S. Macfarlane told a group in Missoula recently that the net employment reduction over the five years following merger would be about 88 in that city, 241 in the state. GN President John M. Budd said earlier in Great Falls that there would be 41 fewer jobs in that city after unification is concluded. But during the past five years, automation, operating economies and declining traffic levels have cut GN and NP employment in Montana by 1,864—an average of 373 jobs lost per year. (Actually, the post-merger record could make present job-loss estimates look unduly pessimistic. It's management's real hope that division headquarters of the NP in Missoula and Glendive and of the GN in Great Falls may operate with increased forces after merger.)

Invariably, management's figures on projected employment reductions—drawn from an exhaustive four-year merger study—are substantially lower than those cited by the unions. And, Mr. Haw has noted, "With a more efficiently operated system under unification, we will have a stronger competitive situation and hope to be able to reverse the trend toward declining employment."

These facts and figures are representative of the story the Northerns are laying on the line from the Head of the Lakes to the North Pacific Coast. Who's doing the talking? Superintendents, traffic men, top-level officers, including the vice presidents and presidents of the two companies. What's the aim of the public-interest program? To explain exactly what unification will mean to the territory served—and by so doing to expose and counter any misinformation which has been spread by merger foes.

With the figures on 1956-60 job losses and the estimates on post-merger employment showing what they do, it might be assumed that the unions would be ready to discuss the situation with management. The four roads made the first move in this direction last autumn, when they invited representatives of all brotherhoods to a meeting in St. Paul at which details of the merger plan—including those relating to employment—were spelled out.

"We were hopeful that we would be able to work out arrangements with the unions to cover the specific conditions that will exist in our particular merger before presenting our case to the ICC," GN President Budd commented recently. "This we found to be impossible because union representatives have been unwilling to meet with us."

The brotherhoods, Mr. Budd added, "have recently adopted a policy of opposing all mergers."

Employment is not the only subject area in which the Northern lines' "truth squads" are finding that the seeds of misrepresentation have been strewn around.

Opponents of merger make much of the financial health of the roads involved—apparently on the theory that merger should be permitted only for the insolvent. Presidents of the Northerns look at it differently. Over the past 10 years, they point out, GN's rate of return has fallen from 4.5% to 2.6%, NP's from 3.5% to 1.4% and Burlington's from 4.2% to 1.75%. "The need for remedial action is obvious," President Macfarlane declares. "We believe unification is the logical remedy."

Some rail labor leaders have made "repeated assertions" that NP's present main line between Casselton, N. D., and Sandpoint, Idaho, will be reduced to branch line status, with inferior service provided to intermediate points. NP's Macfarlane says, "It's just not true." On the contrary, as both he and Mr. Budd have emphasized over and over again, the NP line will continue to be maintained to high standards—and the plan calls for intermediate points to get faster freight service after merger than they enjoy now

GN and NP personnel are progressing the public-interest campaign under the supervision of a three-man management team—Mr. Haw, of the NP; Clark A. Eckart, GN vice president at Seattle, Wash.; and L. E. Torinus, GN general solicitor at St. Paul—with public relations staffs of both roads (under C. W. Moore of the GN and L. L. Perrin of the NP) actively identified with the system-wide program.

# NYC Wants LV Kept in Trust

The New York Central opposes the Pennsylvania's proposal that the ICC release from trusteeship the Lehigh Valley stock now held by PRR affiliates —Pennsylvania Co. and Wabash. The proposal is part of an acquisition-of-control plan which would also include transfer of the Wabash holdings to Pennsylvania and a stock-exchange offer for other Lehigh stock.

Central would not object to transfer of the Lehigh stock to PRR, provided the trusteeship is continued. Central took this position in asking the ICC for leave to intervene in the PRR-Lehigh case (F.D. 21459). Erie-Lackawanna has also intervened in the case. Alleging that PRR's proposal is part of a broad plan to integrate PRR, LV, Norfolk & Western, Nickel Plate and Wabash, the E-L petition said the petitioner wanted to be included in any such unification.

E-L also filed a second petition asking that the Commission halt last week's hearings on the PRR proposal and consolidate the case with that involving N&W's application for authority to merge with Nickel Plate, lease the Wabash and purchase PRR's Sandusky Line. The Commission refused to halt the hearing, which got under way in Washington March 22.

The NYC petition recalled that trusteeing of the Lehigh stock was required by the Commission in its 1941 decision approving PRR's control of Wabash. It also said this arrangement

prompted Central to withdraw its opposition to the transaction. Conditions found to require the original trusteeship "still exist and may become more intense," Central added.

Testifying at last week's hearing, James M. Symes, chairman of the PRR board, said the sole basis for his road's proposal is to prevent bankruptcy of LV and thus protect PRR's $64-million investment in that road. "It is our hope that through unified management and coordination, which studies show will produce savings of $6 million per year, the Lehigh Valley will survive the present emergency," Mr. Symes added.

The PRR chairman called this a "temporary solution" which "may fail or be successful." PRR is not proposing actual physical merger at this time "because we cannot at present take on the expenses and liabilities of the Lehigh Valley."

As to the E-L position, Mr. Symes said the merger system which that road visualizes and wants to be part of, "might eventually be the ultimate solution to the merger question in eastern territory but certainly to inject any such proposal into the picture at this time can only cause years of delay that would prevent mergers already agreed to by the interested parties."

As to NYC's position, Mr. Symes said conditions have changed since the Commission required the voting trust for the LV stock. He pointed out that PRR then had an interest in the New Haven, but no longer has any interest in New England roads, "although New York Central does." He also pointed out that PRR proposes to surrender its control of Wabash to N&W.

"It would be ridiculous," he added, "to think that the Pennsylvania would seek control of all the Lehigh stock and then have it trusteed. If any such string is attached to control of the Lehigh, the Pennsylvania will not be interested."

## Mass Transport Bill Wins Impressive Support

An impressive parade of witnesses appeared before the Senate Housing Subcommittee last week to testify in favor of Senator Harrison A. Williams' Urban Mass Transportation Bill. The legislation would provide a low-cost revolving loan fund of $250 million for mass transit facilities and equipment, plus $75 million for "demonstration projects and comprehensive mass transportation planning."

Senator Williams, a New Jersey Democrat, said improvement of mass transportation "is an absolute imperative, if our cities . . . are to survive the onslaught of the automobile and continue as workable structures for human existence and enterprise."

Pennsylvania Chairman James M. Symes called the Williams bill "an adequate vehicle with which to begin a transportation program of loans and grants-in-aid." Mr. Symes said it would be "far cheaper for government to contract with the railroads and reimburse them for these [essential] services, than to pursue the alternative of terrific highway expenditures which create even greater problems."

Meanwhile, the urgency of the problem was underscored by a report on New York City mass transport problems prepared for the Senate Interstate and Foreign Commerce Committee. This report, which came out of a study which former ICC member Anthony F. Arpaia made for the Regional Plan Association, estimated that "$650 to $800 million is needed [by commuter railroads serving New York] to stabilize operating costs and services and to take a step toward cutting costs and improving services." The report suggested that the federal government "make available, at the lowest possible interest, the capital funds necessary to save and improve commuter rail service."

# You Ought To Know...

**"Technological unemployment"** was one of the subjects up for discussion at a scheduled meeting between Secretary of Labor Goldberg and members of the Railway Labor Executives' Association late last week. Mr. Goldberg said his talks with the union leaders would also review "the changes that have taken place on the railroads, and the entire competitive position of the industry."

**Maximum length** of auto-transport rigs was increased from 50 ft to 60 ft by a bill which sailed through the recently-concluded session of the Indiana legislature. Similar legislation is pending in Minnesota (RA, March 20, p. 7). In Kansas, one house has approved a truck-weight-increase proposal but not a companion bid to increase maximum lengths to 60 ft and to permit operation of double-bottom rigs.

**First of the Milwaukee Road's** double-deck suburban cars are scheduled to arrive on the property in mid-May. They'll go on display in Chicago Union Station and at several suburban stations, before being placed in service. Milwaukee has ordered 40 cars—8 cab control units and 32 trailers—from the Budd Co. at a cost of about $7,000,000. Another 35 cars may be acquired later.

**Toledo's 1961** Perfect Shipping Round-Up, the fifth annual transportation workshop sponsored by the Toledo Area Chamber of Commerce, will be held April 6 in the University of Toledo's Doermann Theater.

**Longest piggyback movement** on record is claimed by Canadian National. A 10-ton trailer loaded with household goods made the nearly 4,000-mile trip from Vancouver to Halifax on a CN flat car.

**Automatic train operation** "offers many opportunities to the railroads for dramatically reduced costs, and is an area of particular emphasis in the [General Railway Signal] Company's research program," says GRS in its annual report. Last year, says the company, "equipment was developed and applied on a pilot basis to operate diesel freight locomotives, yard pusher locomotives, and rapid transit trains entirely by remote control." (RA, Oct. 17, 1960, pp. 13, 26.)

**Minnesota Governor Elmer L. Andersen** last week signed into law a bill making public convenience and necessity the only yardstick for requiring agency service at little-used stations. The bill amends a statutory demand for agency service at any station handling traffic totaling $8,000 or more a year.

**An Outstanding Citizenship award** was presented to the New York Central by the American Heritage Foundation last week for the railroad's effort to encourage voter participation in last fall's election. NYC was the only railroad cited by the Foundation for "top performance in the 1960 nationwide Informed Vote and Contribute to Your Party" program. The railroad distributed more than 200,000 printed notices depicting a train engineer urging citizens to vote.

**Belt Railway of Chicago** has given formal notice and agreement that it will exercise its option to acquire the Belt properties from the Chicago & Western Indiana Sept. 1, 1962. Approximate purchase price: $37 million. ICC approval will be required (RA, Dec. 19/26, 1960, p. 52).

**Santa Fe stands firmly** among the opponents of proposals to create a federal Department of Transportation. "This would be an unfortunate addition to the structure of the federal government," ATSF President E. S. Marsh declares in his road's annual report. "Judging from the experience in other countries it could well be the forerunner of nationalization of railroad properties."

**An additional $1,327,000** a year in passenger revenues is expected by the New York Central from a 10% increase in commuter and other fares in the New York metropolitan area. Authorized last week by the Public Service Commission, the increase becomes effective April 1.

**Part purchase** of the Lehigh & New England Railroad Co. by the Central of New Jersey and two wholly owned subsidiaries has been approved by the ICC. Involved are 40 miles of L&NE in eastern Pennsylvania. Purchase price: $4,050,000. (RA, June 13, 1960, p. 70.)

**A new hotbox detector** installed by the Seaboard at Riceboro, Ga., radios—to the train crew—the exact location of overheated journals. Simultaneously the information is sent via telephone line 33 miles north to the train dispatcher at Savannah. Detection of a hotbox also causes a red indication lamp to be lighted on a relay housing adjacent to the hotbox detector.

**Shippers have been reminded** by the AAR's Car Service Division that they still must obtain, in Mexico, any necessary Mexican import permits before billing shipments to the border. The AAR issued this cautionary note in announcing cancellation of the "Mexican embargo," requiring AAR permits for carload shipments to Mexico routed via National Railways of Mexico. The embargo was cancelled effective March 9, not Jan. 9 as earlier reported (RA, March 13, p. 64).

**Rising distribution costs** will be the theme of the five-week transportation executive training course scheduled to begin June 19 at the Transportation Center at Northwestern University. Topics will include current cost problems, regional patterns of transportation demand, the relation of technological change to improved service and cost reduction, the legal framework of transport regulation, the labor element in costs, use of statistics in management judgment, the use of operations research in traffic management.

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# Why Merge?

There are two possible reasons for railroad mergers—(1) to trim down railroad plant to a much smaller size, implying acceptance of a permanently reduced role for railroads in the nation's transportation future; or (2) to improve the economy and quality of service, hence to get traffic and earnings strongly on the uptrend again.

It is the second reason, beyond question, that impels those railroad leaders actively engaged in developing merger plans. But it is the first alternative—shrinking the plant, and cutting expenses —that too many people (including many employees) impute to the merger program. This mistaken opinion cries out for correction.

The volume of efficient freight service railroads can perform bears little relationship to their main-line mileage. Russian railroads are handling over 50% more ton-miles than U.S. railroads—and are doing it on 76,000 miles of line, just about one-third the U.S. total. John Barriger's book, "Super-Railroads," points out that 30% of the total U.S. railroad mileage handles only 2% of the ton-miles; while 10% of the mileage produces 50% of the ton-miles.

The concentration of the bulk of railroad freight on lines of minimum grades, curves and distance could not do otherwise than reduce the cost and improve the quality of service. If a part of the cost-saving were shared with customers, this economy combined with the improved service would certainly serve to reverse the downward trend of traffic and start it strongly upward again.

There is no security for anybody in or around the railroad business—officers, employees, security owners, suppliers, or shippers who need railroad service—apart from reversing the downward trend of traffic and earnings, and getting it started upward again. Mergers can and should provide a strong (and probably decisive) impulse in that direction.

It is the trend of traffic and earnings—not make-work restrictions—that determines the ultimate security of railroad employment. The late New York Ontario & Western Railway was subject to "full-crew" laws and all the other make-work rules, but there are not any jobs or pensions or fringe benefits on that railroad any more.

The public-interest aspects of mergers need more emphasis. When the diesel-electric locomotive was introduced, most of the attention was directed to its operating economies (estimated by AAR Economist Burton Behling at $877 million on fuel and repairs alone). Much less was said about the improved service aspect that was inherent in the innovation. In the case of large-scale mergers, public support of the change is essential—hence the importance of publicizing the aspects of such projects which are most likely to interest the customers.

As to the effect of mergers on employment opportunities—they do, of course, reduce the number of chief executives and department heads—but they do not (or should not) decrease either the numbers or the opportunities of management and supervisory personnel as a whole. Quite the contrary. Most railroads have suffered from lack of sufficient staff specialists. The economies in management attendant on mergers should enable railroads to remedy this deficiency. Today's most prosperous industries owe their enviable condition largely to their successful adaptation to change—to which research and other staff studies have pointed the way.

A growing business is, scarcely without exception, a happy business for everybody connected with it. Even though the output per employee increases, when total volume is on the rise there is little if any job shrinkage. But railroads cannot start out from scratch to hire more people, to give more service, to reduce rates, to make large expenditures. First they have to get rid of the duplication and waste, simplify their inter-company relationships, develop through schedules—in short, do all the things possible that do not cost money, to improve their economy and service. The purpose of all this is to get the business coming their way, so it will provide the means, in due course, for making all the expensive but (in the long run) profitable improvements in facilities and equipment that every railroad management in the country wants to make.

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Mergers are not for shrinkage, any more than the purpose of trimming a fruit tree is to reduce the yield of fruit. The purpose of mergers is to provide improved service at more attractive prices —hence to turn the trend of traffic steadily upward. The long-run purpose is not to reduce railroad job opportunities, and purchases from manufacturers, but to assure their increase.